

PATENT PUBLIC ADVISORY COMMITTEE
Crystal City Marriott
Arlington, Virginia

Wednesday, February 28, 2001
1:09 p.m. - 4:12 p.m.

APPEARANCES :

PETER N. FOWLER

PATRICIA W. INGRAHAM

KATHERINE E. WHITE

ROGER L. MAY

VERNON A. NORVIEL

NICHOLAS P. GODICI

MARGARET BOULWARE

RONALD E. MYRICK

ANDY GIBBS

GERALD J. MOSSINGHOFF

JULIE WATSON

MELVIN T. WHITE

RONALD J. STERN

P R O C E E D I N G S

MARGARET BOULWARE: Thank you very much. I would like to convene the public meeting of the Patent Public Advisory Committee today. My name is Meg Boulware. I'm calling our meeting to order. I'm the chairperson of the Patent Public Advisory Committee. I'd like to thank everyone for coming, and for the record, I'd like to ask each of our members voting and nonvoting members to introduce themselves around the table. We'll start with Ron Stern.

RONALD STERN: I am Ron Stern. I am President of the Patent Office Professional Association and am a nonvoting member representing professional employees of the Patent and Trademark Office except for trademark attorneys.

MARGARET BOULWARE: Thank you.

MELVIN WHITE: I am Melvin White. I'm the President of NTEU, Local 243.

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1 Represent the nontechnical support staff.

2 JULIE WATSON: I am Julie Watson.
3 I'm Vice President of National Treasury
4 Employees Union.

5 GERALD MOSSINGHOFF: Jerry
6 Mossinghoff of the law firm of Oblon, Spivak
7 and also George Washington University Law
8 School.

9 ANDY GIBBS: Andy Gibbs, CEO of
10 PatentCafe.Com.

11 RONALD MYRICK: Ron Myrick, General
12 Electric.

13 NICHOLAS GODICI: My name's
14 Nicholas Godici. I'm the Commissioner for
15 Patents and I'm currently acting in the Under
16 Secretary and Director position here at the
17 Patent Trademark Office.

18 VERNON NORVIEL: I'm Vernon
19 Norviel. I'm the general counsel of a
20 company in the bay area named Affymetrix.

21 ROGER MAY: I'm Roger May. Retired

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1 from Ford Motor Company and in the process of
2 finalizing terms to become a partner in a law
3 firm and start as an intellectual property
4 management consultant in Chicago.

5 KATHERINE WHITE: I'm Kathy White.
6 I'm a law professor at the Wayne State
7 University and recent to the University of
8 Michigan.

9 PATRICIA INGRAHAM: I'm Patty
10 Ingraham. I'm a professor at the Maxwell
11 School at Syracuse University.

12 MARGARET BOULWARE: Peter, you want
13 to introduce yourself?

14 PETER FOWLER: I'm Peter Fowler.
15 I'm Chief of Staff -- (inaudible)

16 MARGARET BOULWARE: Thank you. I'd
17 like to note that our public deliberations
18 are the only time that this committee has the
19 opportunity to discuss issues other than
20 those issues that are confidential and
21 privileged which we discuss in executive

1 sessions. I want to state this so that the
2 members of our audience know that this is not
3 a Q and A session among the Patent Public
4 Advisory Committee.

5 Actually, the only time we get to
6 deliberate on issues as a group according to
7 the statutes that we operate under, and in
8 order to have a meaningful report to the
9 Administration and Congress every year and
10 also to fulfill our duties, we try to use
11 this time as efficiently as possible. The
12 Patent Public Advisory Committee has been in
13 operation for less than a year. I would like
14 to publically note my thanks and appreciation
15 to the former Under Secretary and Director
16 Todd Dickinson who supported the inauguration
17 of this committee.

18 The Patent Public Advisory
19 Committee was created to advise the Director
20 and the PTO on a number of issues, policy
21 goals, performance budget and user fees, and

1 I personally will miss working with Mr.
2 Dickinson. We look forward to working with a
3 new Under Secretary and Director. At this
4 time we're very fortunate to have acting Nick
5 Godici who has been working with us as
6 Commissioner for Patents since the inception
7 of the advisory committee. He's now doing
8 double duty and we'll look forward to working
9 with Nick in the interim. And with those
10 introductory remarks, I would like to ask
11 Nick to present his Director's Report. Thank
12 you.

13 NICHOLAS GODICI: Thanks Meg, I
14 appreciate it very much. I'd like to take
15 the opportunity just to cover a couple of
16 transition issues, and then I'm going to call
17 upon Esther Kepplinger to come up and talk
18 more about a status report with respect to
19 the Patent Examining Corp and so on. But
20 first of all as Meg said, we are anxiously
21 awaiting a new Under Secretary, a political

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1 leader here at the PTO, but my message has
2 been and continues to be that it's business
3 as usual.

4 We continue to issue patents on
5 Tuesdays and register trademarks, and I just
6 want to assure everyone that we're moving
7 forward with that respect. As I did mention
8 this morning in the earlier session, we have
9 met with Secretary Evans a couple of times
10 now and we have advised him of some of the
11 issues that are a priority here at the Patent
12 and Trademark Office and he's well aware of
13 those.

14 The third thing that I'd like to
15 mention is that within the administration
16 right now, the USPTO is operating under both
17 a hiring freeze that is administration-wide,
18 as well as a freeze right now with respect to
19 rule-making. And we are engaged with the
20 Department of Commerce with respect to both
21 of these issues and we'll look forward to

1 possibly moving forward with respect to
2 business as usual in those two areas as the
3 year progresses.

4 I'd like to just take a couple of
5 minutes to update the cast of characters so
6 to speak here at the PTO and to refresh
7 people's memory with respect to where we
8 stand and who's who in the organization. As
9 I had mentioned earlier this morning, and
10 Anne isn't here, but my counterpart on the
11 trademark side is Anne Chasser. She's the
12 Commissioner for Trademarks. And as a result
13 of new legislation last year, the AIPA, the
14 positions of Commissioner for Patents and
15 Commissioner for Trademarks are newly created
16 positions. These are nonpolitical positions
17 and they're appointed by the Secretary of
18 Commerce and they are five-year appointments.
19 Both Anne and I were appointed in those
20 positions just about a year ago.

21 As you can see, on the patent side

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1 we have three deputies, Esther Kepplinger who
2 you'll hear from in a minute who runs the
3 Patent Corp and the Patent Operations. She
4 is the Deputy Commissioner for Patent
5 Operations. Steve Kunin who's not with us
6 today handles Patent Examination Policy for
7 the patent side, and Edward Kazenske, (Kaz)
8 who you'll hear from also this afternoon
9 manages the patent side of the budget and
10 automation.

11 On the trademark side, the Deputy
12 Commissioner is Bob Anderson for Trademark
13 Operations and Lynne Beresford for Trademark
14 Examination Policy. The CFO you know and
15 have heard from is Clarence Crawford. He is
16 our Chief Financial Officer and Chief
17 Administrative Officer. He has three
18 deputies, Sandy Weisman, who is not with us
19 today, is the Comptroller and CFO. Frances
20 Michalkewicz is in that role right now as an
21 acting -- in that capacity with Sandy being

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1 on extended leave. Kim Walton who you have
2 met also, is Deputy Chief Administrator for
3 Human Resources and Administrative Services
4 and she's here with us today as well as
5 Jo-Anne Barnard for space acquisition and
6 you'll hear from Jo-Anne.

7 Our External Affairs Administrator
8 is Bob Stoll. He handles our international
9 affairs and contacts with the Hill and
10 legislation. He has a deputy Dieter Hoinkes.
11 A new organization, fairly new is our Office
12 of General Counsel. We now have taken over
13 significant roles from the Department that
14 used to be held downtown. So we've
15 transformed our Solicitor's Office which
16 basically handled just IP matters to an
17 expanded Office of General Counsel.

18 Jim Toupin is here. He's our new
19 General Counsel. You'll hear from Jim this
20 afternoon and he has two deputies. One, John
21 Whealan who is the Solicitor and handles the

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1 IP Law and Solicitor side of the house with
2 respect to general counsel, and Bernie Knight
3 who handles General Law of the Office of
4 General Counsel. On the CIO side, Ron Hack
5 is acting as our CIO. His permanent job is
6 one of the deputies in the CIO for
7 Information Technology Services, and Wes
8 Gewehr is the other deputy in the CIO's
9 organization responsible for systems
10 development.

11 And last but certainly not least,
12 we talked about this morning a little bit the
13 fact that we've combined our Office of
14 Quality and Office of Training and that's the
15 final block that you see there. Mary Lee is
16 our Administrator and basically has
17 responsibilities for following review
18 functions both patents and trademarks and has
19 now brought together the training functions,
20 our patent academy and our trademark academy
21 and so on and so forth so that we can bridge

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1 the link and link the results from our
2 internal quality measures directly to our
3 training programs and attempt to address
4 those issues.

5 So in a nutshell, that's all I
6 wanted to talk about and give a framework
7 with respect to the organization and where we
8 stand here in the office, and I'd like to
9 turn it over to Esther Kepplinger who will go
10 into an overview with respect to where we
11 stand on patent operations. Esther?

12 ESTHER KEPPLINGER: Hi, thanks
13 Nick. I just wanted to touch on a few points
14 with respect to the operations in Patents.
15 We had expected this year to hire 566
16 examiners which would have been about 200
17 over our attrition level. As a result of the
18 hiring freeze that's currently in place by
19 the Bush Administration as of January 20th,
20 we have decided instead to hire 200 examiners
21 this year in '01. We expect about 370

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1 attritions so that's actually a net loss of
2 about 170 examiners.

3 To date, we have about 150 new
4 examiners on board in '01, and we have
5 between the offers -- the confirmed offers
6 and the other offers that we have outstanding
7 which were as a result of written offers that
8 we had before January 20th when the hiring
9 freeze went into effect, we expect to get up
10 to 200. We'll be looking at limited
11 recruitment through the rest of the year.
12 And if we don't get confirmations on all of
13 these then we might possibly, if the freeze
14 is lifted, we might possibly extend offers,
15 but we expect only about 200 this year.

16 This shows the way we've been
17 hiring over the last few years. And as you
18 can see in fiscal year '98 we hired in excess
19 of 700. I know it was about 728, and in '99
20 we hired 800. Last year we hired 375, but we
21 actually lost 420. So last year we had a net

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1 loss of examiners. And the projections, this
2 shows the plan. We had planned to hire 566,
3 but now we're only at 200. So this year will
4 again have a net loss of examiners.

5 One of the things that comes from
6 this is a reduction in first actions and also
7 a loss of pendency. And with the two years,
8 fiscal year '00 and '01 of having a net loss
9 each year of examiners, we're going from
10 having expected to do 229 or about 230,000
11 first actions to about 214 is what we expect
12 this fiscal year. And in terms of pendency,
13 we had expected in '01 to be at about 13.7,
14 but now we'll be at about 14.1 months to
15 first action.

16 GERALD MOSSINGHOFF: When you end
17 with the FY '01 revised, at the end of '01,
18 how many examiners will you have?

19 ESTHER KEPPLINGER: Roughly 2,900,
20 maybe 2,800 and something. I'm not exactly
21 sure of the exact number, but under 3,000,

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1 2,800 something.

2 GERALD MOSSINGHOFF: Under 2,900?

3 ESTHER KEPPLINGER: Yes; because
4 right now we're at 2,900 so we'll drop down
5 to 2,800, maybe even as low as 2,700.

6 MARGARET BOULWARE: Esther, do you
7 expect the attrition from particular groups,
8 particularly technical groups right now?

9 ESTHER KEPPLINGER: We have been
10 experiencing attritions across the board.
11 However, it is higher in the electrical area.
12 As you can well imagine, the electrical area
13 is the hardest for us to attract and retain,
14 and it's one of our objectives in trying to
15 get pay raises, although we've been trying to
16 get it across the board for all patent
17 examiners. Yes?

18 PATRICIA INGRAHAM: Do you have
19 data to indicate in which year -- do they
20 stay for two years? Do they stay for three
21 years and then past that?

1 ESTHER KEPPLINGER: Yes; as a
2 matter of fact in looking at some of our
3 statistics, it used to be the first year was
4 the highest. It's now the first two years
5 that are the highest because actually in the
6 electrical area we were giving recruitment
7 bonuses and they have to stay for two years.
8 So the first two years I think we have about,
9 what is it Kim? It's about a 40 -- was it 40
10 percent? I think it's around 40 percent of
11 our losses within the first two years or
12 maybe even more than that. I can get you the
13 exact numbers. I'm not certain right off the
14 top of my head, but our highest loss is
15 absolutely in the first two years.

16 What we have been seeing, however,
17 is a loss across the board. At this point
18 it's not very significant at the higher rate,
19 it's been increasing. We're in double digits
20 at the lower levels and single digits, around
21 seven percent or more at the higher levels.

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1 And increasingly we have been losing our
2 very, very valuable and experienced
3 employees, grades 14 and 15 which in previous
4 years we hadn't seen as much of those people
5 leaving, but increasingly we're seeing those
6 examiners leaving even without increase.
7 They're being hired as agents by firms.

8 In terms of timeliness, we took the
9 measures that were set forth in AIPA and
10 those were translated onto our score card.
11 This actually is part of the score card that
12 Nick and Anne have with the Secretary of
13 Commerce, and it shows that in fact -- the
14 measures that are in the AIPA and it shows
15 our end of '00 results, our first quarter
16 results of this year and our targets for the
17 end of '01. You will notice that for some of
18 them, ones that are particularly workload
19 driven like the 14 months and 36 months,
20 we've projected for the end of '01 to be
21 slightly lower than we were in '00. And the

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1 reason this is is because of fewer examiners
2 and also the growth in applications that
3 we've been experiencing. So they're working
4 their way through the pipeline and causing us
5 to have more pendency in the applications.

6 We're doing pretty well in some of
7 the areas. That is, you'll see in the next
8 slide, the ones that the amendments within
9 four months, the board decisions and even the
10 issue fees, we're doing pretty well. We're
11 keeping up with some of the others, but
12 you'll see in the next slide that in fact it
13 is very dependent on technology. Maybe it's
14 not there. I have one -- I don't know. I
15 think it should be in your books. Go one
16 more. Yeah; there we go.

17 This shows where we were in the
18 first quarter for each of the technology
19 centers. And you can see that's especially
20 for the ones that are workload driven, 2,100
21 and 2,600 which are the two electrical. We

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1 have a significant challenge there in order
2 to process the cases within 14 months and
3 also to achieve the 36-month date.

4 We took the corps' goals. The
5 targets on the last slide are the targets for
6 the corps, and then we distributed each of
7 these targets among the tech centers
8 depending on the particular situation. So
9 each of the tech centers have different goals
10 for each of these targets that roll up to
11 equal the achievement for the core level.

12 One other point here is with
13 respect to the issue, you can see that 1,600
14 is a little less -- it's a little lower than
15 some of the others, and that's the sequence
16 data which takes a little bit longer to get
17 the publications completed. For quality we
18 use a number of measurements for looking at
19 quality.

20 GERALD MOSSINGHOFF: Esther, if I
21 can interrupt. Going back to the earlier

21

1 track, exceeding 36 months. That means
2 across the board we're looking at more than
3 90 percent of all patents exceeding 36
4 months; is that right?

5 ESTHER KEPPLINGER: No; actually
6 the opposite. That we are achieving 36
7 months in greater than 90 percent of the
8 time.

9 GERALD MOSSINGHOFF: Oh, all right.

10 ESTHER KEPPLINGER: So it's only 10
11 percent of the time that we are not making
12 that goal.

13 GERALD MOSSINGHOFF: I like that
14 number better. Thank you.

15 ESTHER KEPPLINGER: Sure.

16 RONALD MYRICK: Excuse me, you look
17 back to the time of this performance, it does
18 say there are patents granted that do not --
19 to exceed 36 months and target -- (inaudible)

20 ESTHER KEPPLINGER: Yes; by the end
21 of the year -- well, right now we've been

1 doing pretty well, but as I indicated, we
2 have a slump of cases that are coming
3 through. Now, we may do better than this
4 target. This was a projection for the end of
5 the year and we may exceed it. But based on
6 our projections with all these cases coming
7 through, this is what we expect may occur.

8 RONALD MYRICK: Just observing that
9 it seems to be a significant deterioration
10 over the years. Is that a reflection of the
11 restraints on the budget and the loss of
12 examiners or what?

13 ESTHER KEPPLINGER: Loss of
14 examiners I think, especially probably the
15 ones from last year where we don't hire down
16 the road, they're not issuing patents.

17 NICHOLAS GODICI: Just another
18 comment. The two that you see that are
19 currently below the 82 percent, 2100 and 2600
20 make up a substantial percent. In other
21 words, this workload is not equal. If you

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1 took the percentage within those two
2 technology centers, it may equal as much as
3 50 percent of the work. So they brought that
4 -- that number drives the overall numbers.

5 ESTHER KEPPLINGER: With respect to
6 --

7 RONALD MYRICK: Excuse me one
8 second further. Have you done any studies
9 that indicate -- it certainly indicates that
10 we have a large number here, percentage
11 that's going to be more than 36 months, but
12 have you done an aging that shows how much
13 more? One month more? Two months more? Ten
14 months more?

15 ESTHER KEPPLINGER: We do actually
16 -- we measure these things in two ways. We
17 take a snapshot of the actual pendencies. We
18 do have an idea of the patents when they're
19 issued what their actual age is, but I'm not
20 -- the average for the last year was 36
21 months. That's the average.

1 RONALD MYRICK: They're exceeding
2 36 months.

3 ESTHER KEPPLINGER: And we will be
4 measuring that. We are taking some
5 snapshots, but at this point we're not
6 exactly sure.

7 RONALD MYRICK: All right. Thank
8 you. I'd be interested in that data when you
9 have it.

10 GERALD MOSSINGHOFF: I would expect
11 if -- we don't know yet how things are going
12 to play out, but the hiring freeze plus the
13 diversion of funds really begins to move this
14 pendency beyond the 36 months, the Patent and
15 Trademark Office is going to be the source of
16 submarine patents. You're going to get the
17 full term because of the new legislation.
18 That's the good news. The bad news is the
19 government will be the source of submarine
20 patents and that's not good for U.S. industry
21 at all.

1 RONALD MYRICK: I agree with you.
2 That's kind of the reason I'm asking that
3 question. The set of numbers are increasing
4 such that we're out to a year or more or
5 whatever, it begins to be a significant
6 economic impact on the industry and I think
7 we should start tracking that and measuring
8 it.

9 RONALD STERN: In terms of
10 information, there is of course pre-grant
11 publication so many of the applications will
12 be published within 18 months.

13 GERALD MOSSINGHOFF: I have a
14 counter on that. That's true and I'm a
15 strong supporter of that publication, but the
16 fact is the exclusive rights are going to
17 come later than they should as industry moves
18 through technology phases.

19 NICHOLAS GODICI: That point is
20 well taken. Our objective has been, Jerry,
21 to minimize or eliminate patent term

1 (inaudible) -- as a result of not meeting
2 these targets. And obviously the fact is as
3 you talk about in terms of hiring resources
4 and workload is going to impact our ability
5 to make those targets, and therefore, it's
6 going to increase the number of patents that
7 are (inaudible) -- that term is adjusted on
8 and that's issued.

9 VERNON NORVIEL: I think there's an
10 even greater impact for small companies. But
11 for small companies the bigger impact is that
12 if you're getting a patent allowed at four
13 years rather than two years, you may be in a
14 world of hurt.

15 RONALD MYRICK: I would just say to
16 Madam Chairman that I would think this is an
17 area where the feedback should focus
18 considerable amount of attention this year
19 whether it's going to get worse before it
20 gets better. And if we don't focus the
21 attention and do the analysis, we won't get

1 that done.

2 MARGARET BOULWARE: I agree. I
3 think that's in our function in advising the
4 gentleman who's sitting to my right (Nick
5 Godici). I'm sure he appreciates our advice
6 on this.

7 ESTHER KEPPLINGER: Okay. Quality.
8 We have a couple of different ways that we
9 analyze the quality. We utilize our internal
10 Office of Patent Quality Review, and the
11 first two measures are as a result of their
12 analysis. Looking at the first one are the
13 applications that have a significant quality
14 issue, and the second one are ones where
15 there's an error, but it's not a
16 patentability error.

17 As you can see, last year for the
18 reopening we were at 6.6 percent. Our goal
19 for this year is 5.5, and the first quarter
20 actually we were doing pretty well so we're
21 hoping that that's a trend that we can

1 continue through the year. The next three
2 measures are ones that we take from our
3 annual customers and satisfaction survey. We
4 look at their satisfaction that we set forth
5 clearly in our written communications, the
6 positions of the examiner, how satisfied they
7 are with the search that was performed by the
8 examiner and their overall satisfaction with
9 the service that we've provided.

10 And we worked with the Center for
11 Quality Services to establish what was a
12 reasonable increase over last year's
13 performance, and they indicated that about a
14 three percent increase was a good increase to
15 post in a particular year. Actually, we've
16 been increasing over the last two years and
17 we hope to achieve better than this, but we
18 targeted the three percent increase in each
19 of these areas for this year.

20 And the final one, employee overall
21 satisfaction. We have an annual employee

1 survey, and therefore, not applicable for the
2 first quarter. We haven't posted anything
3 because we just get those measures at the end
4 of the year.

5 ROGER MAY: I would just comment,
6 for all these satisfaction numbers, might be
7 great if you were president. I'm not sure
8 they are where we want to be at all, and I
9 realize it is easy to criticize from the
10 outside. I would like to see the committee
11 encourage a collaboration between the office
12 and the private sector to really dig deeper
13 into the causes for dissatisfaction and ways
14 to solve the problem rather than just
15 criticize. The same thing would be true to
16 have a close collaboration between the
17 management of the Office and employees to try
18 to get to the root causes and deal with
19 those. I think that's important.

20 MARGARET BOULWARE: Okay. Thank
21 you.

1 ESTHER KEPPLINGER: That's a good
2 suggestion. I mean, we have been having some
3 meetings. We've been holding customer focus
4 sessions on search to get in what -- each
5 technology center has held one last year to
6 get input specifically on what are the
7 criticisms, what can we do better, what
8 things do we do well and not do well, where
9 is there room for improvement. So we're
10 hoping to have initiatives from each of the
11 technology centers to address the search.
12 The written communications we have also in
13 process reviews. In addition to the Office
14 of Quality Review looking at them, we also do
15 reviews within the Tech Centers and having
16 them putting initiatives in place, but you're
17 right. We also hope that we can do better
18 than these numbers reflected.

19 With respect to PG-Pub, we will
20 have our first publications coming out March
21 15th. For the first few weeks we'll have

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1 about 45 applications per week that are
2 published and then we'll be increasing in
3 July to about 2,500 per week. Right now on
4 the filing receipts, when you file an
5 application, you receive a filing receipt.
6 It gives you a projection as to when your
7 publication date would be.

8 GERALD MOSSINGHOFF: Esther, tell
9 us about the form of the publication. I've
10 lost track of it. It's going to be a notice
11 in the Official Gazette. The actual
12 documents themselves will be published and
13 available?

14 ESTHER KEPPLINGER: They'll be
15 published electronically. All of these will
16 be electronically available on our web site
17 just as our weekly patents. These will come
18 out on Thursdays and the format will be very
19 much like a patent document and they will be
20 searchable just as on our patent documents,
21 or you know, text searchable available

1 electronically.

2 GERALD MOSSINGHOFF: Hard copy
3 available or you just download it from the
4 web page?

5 ESTHER KEPPLINGER: Download it.
6 At this point we're publishing only
7 electronic.

8 MARGARET BOULWARE: To clarify
9 that, it's not going to be published in the
10 OG, right? It's not going to be in the
11 Official Gazette, it will all be --

12 ESTHER KEPPLINGER: Electronic;
13 right. And with respect to pre-grant
14 publication funding, as you know, we're able
15 to charge a \$300 fee for publication, but
16 that's only at allowance. So in the first
17 year the costs are up-front. We have to
18 absorb the costs for this, and there are
19 certain fixed costs for infrastructure. We
20 estimate that's about \$1.8 million for
21 development and start-up.

1 Processing and publishing
2 applications prior to collecting any fees is
3 about \$16.2 million. And then we also have
4 access and we're estimating right now
5 approximately how many requests we'll have
6 for access to these documents once the
7 publications are completed. Our estimate
8 there is about \$4.3 million for what we
9 project as the number of requests that we
10 might get for public copies of the files. So
11 the estimated first year total is about \$22
12 million.

13 GERALD MOSSINGHOFF: To get public
14 access to a file that's published, the person
15 requesting it has to pay for that or does the
16 office have to absorb that?

17 ESTHER KEPPLINGER: No; there's a
18 fee. \$300 is it? \$200?

19 AUDIENCE MEMBER: \$200.

20 ESTHER KEPPLINGER: \$200. And the
21 volume, the projections that we've gotten

1 from the applications that we've received so
2 far in the first year of those that are
3 eligible for publication, about seven percent
4 are opting out. You can opt out at the time
5 of filing if you don't want the publication
6 to run with foreign and that's right now
7 about seven percent.

8 RONALD MYRICK: How did that
9 compare with your expectations?

10 ESTHER KEPPLINGER: For opting out?

11 RONALD MYRICK: Yes.

12 ESTHER KEPPLINGER: I think we had
13 estimated a higher percentage, but
14 interestingly with respect to AIPA, people
15 haven't done anything that we expected them
16 to do. Our projections, we have to keep
17 changing what our expectations are because
18 they haven't responded as we thought. Any
19 other questions? Okay. Thanks very much.

20 GERALD MOSSINGHOFF: One question
21 maybe for Nick also. You're under-hiring,

1 but you're also under a regulation freeze.

2 Is that causing any problems that we ought to
3 know about, the regulation freeze? And let
4 me go down to, in general, I'm in favor of
5 regulation freezes across the board, but they
6 cause some problems for you.

7 NICHOLAS GODICI: I don't think
8 there's anything that's critical right now
9 that's being held up that we absolutely need
10 new business on. There are some things that
11 will be coming down the line and I think, you
12 know, one that I can think of that might
13 impact this committee is the fact that
14 nominations in the process for placement of
15 new folks on this committee is something that
16 needs to go through that process, and we'll
17 have to deal with the Department of Commerce
18 to allow that to move forward. As far as
19 large rule packages that substantially affect
20 the practice and interactions within our
21 community, there's nothing that's critical.

1 GERALD MOSSINGHOFF: So you fully
2 implemented the AIPA?

3 NICHOLAS GODICI: Yes, yes.

4 ESTHER KEPPLINGER: Anything else?
5 Okay. Thanks.

6 MARGARET BOULWARE: Thank you very
7 much for that report. We had a lot of
8 comments from the advisory committee that I'm
9 sure everybody here from the PTO is
10 interested in taking in. The next issue,
11 financial report from Clarence Crawford on
12 the 2001 funding level which is perhaps
13 continuing our theme here of what's happening
14 in the PTO that the Patent Public Advisory
15 Committee can offer comment and advice on.
16 Clarence?

17 CLARENCE CRAWFORD: Thanks very
18 much, Meg. Picking up from Esther's
19 comments, we are currently under a hiring
20 freeze. We're looking at the hiring freeze
21 perhaps lasting through the end of the fiscal

1 year. What I would like to do today with
2 your permission is to talk a little bit about
3 the budget and the collection. Esther's
4 already given you information on the
5 performance indicators, and then talk about
6 some filing issues that we are carefully
7 monitoring especially with respect to
8 trademarks.

9 On this first slide it's really
10 taking us back to the enacted budget and then
11 working our way through to where our current
12 estimate is for income, and I'll explain how
13 we go from \$1,152 billion to \$1,113 billion
14 on the next slide. But we show the carry-
15 over from prior years. It was \$255 million.
16 I'm going to just work out the current
17 estimate and we'll come back on the next
18 slide and talk.

19 We are to put aside about \$370
20 million for next year and this is an item I
21 want to talk about and explain why we have a

1 smaller number than the next slide. We also
2 have a rescission of \$2 million which brings
3 our total resources available to the \$1,037
4 billion. And then prior year recoveries from
5 contracts and other unobligated balances give
6 us for all practical purposes an operating
7 plan of \$1,048. Next slide. We were talking
8 in the prior slide, we were looking at fee
9 collections of initially \$1,152, and what we
10 wanted to do was just make some adjustments
11 here.

12 The first one is an adjustment with
13 respect to PG-Pub filings. PG-Pub, the new
14 legislation, we made an estimate as to the
15 income that would be derived from that. This
16 is an area where we had no experience. And
17 as we learned, the actual -- we reduced our
18 PG-Pub estimate by \$2 million. We've also
19 made some other planning estimate reductions
20 in the patent area which I'd come back to if
21 you like.

1 The more significant item is while
2 it's not a patent issue, it's a trademark
3 issue, and we're all one office as far as the
4 adjustment that we're making in the trademark
5 side in terms of pubs and application levels
6 for 2001. Which brings us then to the
7 \$1,113,000,000 of anticipated collection for
8 this year. We are -- let's go to the next
9 slide. The last couple I want to spend some
10 time, take questions, but I think it's
11 important to see the full picture.

12 Knowing the committee's interest in
13 filings and maintenance fees and the like,
14 what we've done is we're providing
15 information here to the committee and to the
16 public on our filings, planned versus our
17 current estimate and pretty close there on
18 the patent side. Again, the issue is more on
19 the trademark side which I will touch upon in
20 just a little bit.

21 We have been looking carefully at

40

1 patents, we've been looking at the economic
2 downturn with much interest like everyone
3 else, and we're looking at patents
4 representing about 85, 83 percent of our
5 income. We were wanting to just see how
6 patent filings were coming in. One of the
7 indicators that we have been using is
8 associated patent filings with R&D
9 expenditures. So far it seems to be pretty
10 strong through the end of 2000. We are
11 monitoring that very carefully.

12 If there is a drop-off in R&D, our
13 information indicates it's usually a year or
14 more, maybe as much as a two-year lag or so
15 between the time. What we have done is we
16 have reduced our estimates for example in --
17 from about a 12 percent to about a 10 percent
18 growth rate in patents to take into account
19 possible adjustments on the part of the
20 economy.

21 Here's the one -- I know this is a

1 Patent Advisory Committee, but I think it's
2 worthwhile for the committee to see what is
3 happening on the trademark side. The first
4 disclaimer I want to make is that while it
5 appears that the trademark filings seem to
6 mirror the subject rate that NASDAQ
7 (inaudible) -- it looks like it's a pretty
8 good fit. I'm not sure that it's always a
9 perfect fit. So part of what I'm saying is
10 while the trademark filings have been coming
11 down and are down so far the first quarter --
12 into the first quarter of the fiscal year
13 2001, the things that may be driving the
14 NASDAQ or may have the NASDAQ turn around may
15 not necessarily be a point-to-point change
16 relationship. What this is saying is that at
17 or about the time the NASDAQ started to fall,
18 so did trademark filings.

19 We have been watching this. One of
20 the things that sort of masks this maybe a
21 little harder for us to detect early on is

1 that typically in the first quarter of a new
2 year, trademark filings are down. So the
3 fact that it was down in itself wasn't
4 alarming as we continue to watch. As we gain
5 more knowledge, we'll have a better handle in
6 another month or so because trademark filings
7 typically start to turn up late February into
8 March time frame so we'll have a better sense
9 by then.

10 But what this has caused us to do
11 is perhaps to reduce our estimates on fee
12 collections and filings on trademarks. So
13 what you see in the legend here is these are
14 FY 2001 estimates. October is -- when we
15 took a snapshot of October 2000 and where we
16 are, the 2001 is when we took another
17 snapshot in February. We're looking very
18 realistically at a trademark filing rate and
19 income level that will be below what was
20 estimated, perhaps \$30 million or more. One
21 of the first questions that we tried to look

1 at was, why wasn't this downturn more readily
2 apparent during the course of the downturn?
3 Why couldn't we project?

4 Without offering excuses, what we
5 have found is that while many people talked a
6 little bit about perhaps a slowdown a year or
7 more ago, few people had projected or really
8 forecasted a slowdown to the extent that
9 we've seen it. In fact, in July the CBO was
10 increasing both its short-term and long-term
11 GDP estimates upwardly. They had also spoken
12 with the business blue chip economists, they
13 were also feeling the economy was going to do
14 well in the latter part of 2000 and into
15 early 2001.

16 The \$30 million issue is one that
17 we're going to have to manage very carefully.
18 We're going to look at the impacts for this
19 year. It looks like they may be relatively
20 moderate, but it may have some impact on us
21 in 2002. The other point I want to make here

1 is \$30 million to a person in my income level
2 is an enormous amount of money so at least
3 it's frightening to me. When you put it in
4 the context of a PTO budget of over a
5 billion, it's still above -- just a little
6 under say about a three percent type of
7 change. It is an important thing for us to
8 monitor. We're going to have to watch
9 carefully, and that will be one of the
10 factors that we will look at in terms of when
11 and if we would be allowed internally,
12 ourselves to lift the hiring freeze and to
13 make some other decisions. Let me stop at
14 this point and entertain questions.

15 MARGARET BOULWARE: Yeah; I have a
16 question. Since we're the Patent Public
17 Advisory Committee, how is -- is this \$30
18 million going to be used as something that
19 the agency overall has to take into account
20 or just the Trademark Operations or the
21 Patent Operations since each of those

1 operations kind of looks at its own resources
2 separately is my understanding. Pricing for
3 services is a little -- has been viewed
4 separately. I know that Anne Chasser's not
5 here so I can ask this question. The
6 Trademark Operations has absorbed --

7 CLARENCE CRAWFORD: There's a
8 defense that precludes us from using
9 trademark money to fund non-trademark
10 activities, but it doesn't work in reverse.
11 As a practical matter, we the USPTO are
12 responsible and we need to ensure that we do
13 not spend more money than we actually
14 collect. So if there is a reduction and a
15 shortfall, we the USPTO will have to make up
16 the difference and it will probably come in
17 large measure out of the patent money.

18 PATRICIA INGRAHAM: Could I follow
19 up on that? Please tell me if I'm not
20 understanding this correctly, but we've had a
21 discussion in the last half hour of the

1 hiring freeze. We had a good discussion on
2 attrition, and in fact, there appears to be a
3 high rate attrition in the first two years.
4 We've had some indication for this year that
5 there will be a short -- there's some
6 shortfall in the budget. Would it be too
7 much of a bold statement to say that that
8 could be an early warning sign that this may
9 be an issue that really requires some
10 substantial attention and some strategizing
11 and recommendations?

12 CLARENCE CRAWFORD: Oh, I think it
13 is. It has the potential to present major
14 problems for us and for the intellectual
15 property system. We have lost in the way of
16 fees that are being withheld into the
17 hundreds of millions of dollars at this
18 point. You can take funds away off the top,
19 provided that filings continue to soar. If
20 filings start to level off, we do not
21 generate a surplus. There's an immediate --

1 almost immediate cause and effect. That's
2 what's showing up we believe on the trademark
3 side.

4 Had we had access to our fees
5 during this period, all we would need to do
6 is shift more of our trademark resources to
7 working the inventory. But with no access to
8 our prior fees, the effect is that it reduces
9 the number of people, the IT investments that
10 we can make. And it does -- if the economy's
11 slowing, the fee diversion may become even a
12 greater problem in terms of almost immediate
13 impact on PTO and its operations and the
14 support we provide to our customers.

15 NICHOLAS GODICI: Could I chime in?
16 And I hate to be a broken record on this one
17 too, but you raise an excellent point, and
18 there's another piece and that is, you know,
19 the fee income downstream as we're not
20 allowed to hire folks and fewer patents are
21 processed, the issue fees and the maintenance

1 fees and the funding stream that results from
2 those fees is in jeopardy also. So, you
3 know, there's an impact on the dollar sign
4 side when we're not able to get the work out
5 downstream.

6 GERALD MOSSINGHOFF: I would add to
7 that. Even under the best of circumstances,
8 this has to be a balanced situation because
9 you have this feedback in there. You don't
10 do the work and you don't get the issue fee.
11 And if you don't get issue fees, then you
12 don't get maintenance fees. So under the
13 best of circumstances, this would be a tough
14 government program to run. When somebody
15 reaches in and pulls a couple hundred million
16 dollars out of your pocket, it makes it
17 almost impossible. So I think this needs to
18 be our highest priority as a committee to say
19 this is wrong, it's hurting the U.S., it's
20 hurting U.S. industry.

21 PATRICIA INGRAHAM: I have one more

1 thing. A combination of the hire increase in
2 that two-year trip figure is very focusing to
3 me because what that suggests is that you are
4 in an almost constant recruiting and training
5 mode from one-sixth, one-fifth of the total
6 patent examining force and that's not even
7 running in place. That's really slipping in
8 a fairly substantial kind of way.

9 GERALD MOSSINGHOFF: That is really
10 meaningful because the very nature of
11 examining is that you could have the
12 brightest brand new examiner and that
13 examiner is not going to produce the kind of
14 quality a more seasoned bright examiner will
15 produce. So it not only affects the numbers,
16 it affects the worth of the actual patents
17 that are granted.

18 RONALD STERN: What is even worse
19 than that, it turns out is that our seasoned
20 examiners produce at twice the level of a new
21 person coming in. So in order to replace one

1 person who is experienced, you need to hire
2 at least two people, and then you need to
3 take into account the attrition rates of
4 those new people; so you need to hire even
5 more people than that.

6 VERNON NORVIEL: I would like to
7 beat the drum of the small company again. I
8 think a large part of our economic boom over
9 the last few years has been as a result of
10 the success of small companies. And again, I
11 reemphasize, it sounds like not only is the
12 pendency rate traumatically increasing simply
13 because of what sounds to be a hiring freeze,
14 but also it appears increased perhaps
15 dramatically as a result of the budget
16 process and the budget.

17 If that's the case, I think I again
18 would say that if these pendency rates are
19 dramatically increased like that, it can
20 significantly increase the burden on small
21 companies, slow them down, slow down their

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1 ability to get financing, venture capital
2 financing and other types of financing and so
3 forth, and I think that could hurt the
4 economy in a non-trivial way.

5 MARGARET BOULWARE: Any other
6 questions or comments?

7 CLARENCE CRAWFORD: Thank you very
8 much.

9 MARGARET BOULWARE: Thank you. I
10 think you're still up.

11 CLARENCE CRAWFORD: I think Frances
12 will do this.

13 MARGARET BOULWARE: Oh, she's going
14 to do the alternative fee structure. Thank
15 you.

16 FRANCES MICHALKEWICZ: Thank you
17 very much. The Office of Corporate Planning
18 at the PTO has the responsibility for fees
19 and forecasting and so we have the project
20 management responsibility for two studies.
21 One dealing with alternative fee structure

1 and the other dealing with forecasting. And
2 with me today is Barry Riordan who's the
3 senior economist in the Office of Corporate
4 Planning and Bob Spar who is the Director of
5 the Office of Patent Legal Administration,
6 and the two of them along with Karen Young
7 and others are involved in, particularly, the
8 alternative fee structure study.

9 This study was mandated by the AIPA
10 in November 1999 and it directs the office to
11 conduct a study of alternative fee structures
12 that could be adopted to encourage maximum
13 participation by the inventor community.

14 When we saw the language we determined that
15 this study applied essentially to patents and
16 not to trademarks. Therefore, our focus of
17 the study is patent fee structure.

18 The objectives of the study are to
19 maximize inventor participation, to provide
20 proper incentives for customers and
21 management. For example, to possibly look at

1 different fees for E-filing versus filing in
2 paper, look at separate search and
3 examination fees, to align costs and fees as
4 a means of managing patent's workload, and
5 ultimately to make sure that the overall
6 USPTO revenue base remains the same.

7 Our view on the fee study is that
8 it would be revenue neutral. The overall
9 strategy is basically we determined it would
10 be best to perform the study internally.
11 Because of the complexity of the fee
12 structure as well as the requirement to
13 understand the patent system in order to be
14 effective in conducting this study, we felt
15 using in-house people would be best.
16 However, we want to retain public policy
17 experts to advise and lend credibility.

18 We have identified a couple of
19 sources. We went to the National Academy for
20 Public Administration, we've also talked to
21 the Counsel for Excellence in Government,

1 we've contacted a couple of active missions
2 at the MIT Sloan School, Harvard Business
3 School, and we're leaning at the present time
4 towards NAPA because of their unique public
5 policy perspective. They've had experience
6 testifying before Congress on a variety of
7 issues and we've worked with them in the past
8 with some very good results, but I wanted to
9 raise this issue at this forum before we
10 proceed with any formal arrangements.

11 We also plan to interact with this
12 group on a regular basis to provide you with
13 information as we go through the process and
14 also to find out from you how you want to
15 interact with us on this study. We also plan
16 to consult with a wide range of stakeholders
17 most likely through this group or through the
18 public policy experts that we bring on.

19 In terms of the scope of the study,
20 we're looking at some high level issues and
21 the study team is still in the process of

1 documenting in more detail the scope of the
2 study, but some of the issues are complexity
3 of fees, should we be charging more for
4 applications that have a large number of
5 claims or that are more complex in terms of
6 the technology. We're looking at unity of
7 invention, separate fees for E-filing versus
8 paper. Fee disaggregation; should we
9 consider a separate search of examination
10 fees for example.

11 Issue and our filing fee
12 redistribution. This topic was the topic of
13 a GAO study a couple of years ago.
14 Maintenance fee schedule; appeals and
15 interferences fees and micro entity fees. So
16 we did some customer focus sessions in 1997,
17 1998, and one of the things we've heard a lot
18 from independent inventors primarily was that
19 we should have a two-level small entity
20 phase. Yes, Jerry?

21 GERALD MOSSINGHOFF: What's the

1 issue in our filing fee redistribution, what
2 does that mean?

3 FRANCES MICHALKEWICZ: Barry, can
4 you address that one?

5 BARRY RIORDAN: Yes. One instance
6 might be to eliminate a filing fee and
7 distribute that source of revenue among other
8 -- or vice versa, you might want to look at
9 issue fee and (inaudible). And these are a
10 combination of some of the others as well.

11 FRANCES MICHALKEWICZ: I think one
12 of the concerns raised by GAO is that a lot
13 of cases are abandoned and we do a lot of
14 work on those cases and no issue fee is paid.
15 So we should try to find a way of balancing
16 the recovery of our costs based on, you know,
17 the work that we put into applications.

18 GERALD MOSSINGHOFF: By reducing
19 the filing fee would simply aggregate that
20 problem. A lot of work goes into abandoned
21 cases, and if they probably should be

1 abandoned, they probably should be abandoned.

2 NICHOLAS GODICI: Obviously we
3 haven't made a determination of what to do.
4 The objective of the legislation was to
5 encourage participation. So one of the
6 premises is that we would look for ways that
7 would encourage more people to enter into the
8 system. Obviously making it cheaper might be
9 one of the obvious ways of doing that, but it
10 has impact all the way through the process
11 which we have to weigh very carefully.

12 FRANCES MICHALKEWICZ: I think what
13 you're seeing is there's conflicting
14 objectives or conflicting concepts on the
15 table that we're trying to work through.

16 ANDY GIBBS: Do you know what
17 percent are abandoned?

18 BARRY RIORDAN: Thirty-five.

19 GERALD MOSSINGHOFF: That's been a
20 very constant number over the years. Not
21 much has changed at 30 -- one-third.

1 ROGER MAY: Can I just comment that
2 I think greater participation in the system
3 does not necessarily mean we issue more
4 patents. We talked about this at the last
5 public meeting. The goal here is not to just
6 issue more patents, but to issue valid
7 patents and that's very important. So if the
8 thought is that GAO thinks we have too many,
9 I'm not sure we ought to solve that problem
10 by just making it easier to get a patent.

11 FRANCES MICHALKEWICZ: I think
12 GAO's concern was the cost. We were not
13 recovering the cost.

14 ROGER MAY: I understand that, but
15 that isn't necessarily the solution.

16 RONALD MYRICK: One comment.
17 Looking at your scope of study category,
18 picking up on Vernon's point, I think there
19 might be -- you really want to get small
20 inventors to participate given the ability to
21 get a patent quicker. So for example, a true

1 fast processing fee would do more I think for
2 a lot of small inventors than anything else.
3 Of course there's a ramification of that
4 because there's no free lunch in the system
5 where the assets are arbitrarily constrained
6 by a congressional fee opt. So you would
7 have a price to pay by all the rest of us,
8 but this study requires them to look at the
9 individual and their inventions and I think
10 that would be a major issue.

11 NICHOLAS GODICI: Can I ask a
12 follow-up?

13 GERALD MOSSINGHOFF: One person's
14 opinion at this point, but the user fee, the
15 general government by user fee statute is
16 based on pretty good policy. It says the
17 user fee should bear a reasonable
18 relationship, the amount of work the
19 government has to do in return for the user
20 fee. It seems to me that that may be a major
21 premise to all that we're talking about here.

1 And when you start jiggling it one way or the
2 other or picking winners and losers, I think
3 you could make a big mistake. Seems to me
4 the user fee statute is based on very good
5 business grounds. That is, the fee should
6 pay a reasonable relationship with the work
7 that they pay for.

8 MARGARET BOULWARE: And hopefully
9 you get 100 percent recovery of that user
10 fee. Right now with the reversion, the user
11 fee is not being put to work. That's a
12 disincentive to the entire system.

13 NICHOLAS GODICI: One of the
14 questions though Jerry is how granular do you
15 get. For example, we know we put more
16 resources into a biotech application than a
17 simple mechanical application, but we charge
18 the same amount on those types of things. So
19 at what level do you get to this ABC or cost
20 recovery type of analysis, how deep into --

21 GERALD MOSSINGHOFF: The major

1 premise doesn't solve the problem. The major
2 premise is a pretty good major premise.

3 NICHOLAS GODICI: That is the first
4 component of the study which is based on
5 complexity. Maybe we could have stated it
6 based on resources used or costs.

7 ROGER MAY: You certainly have
8 those statistics within patents to tell you
9 which patents.

10 RONALD MYRICK: Is there sufficient
11 support for some kind of premium for fee? We
12 all know that this -- making a case doesn't
13 work. So what we're talking about is making
14 it readable, but I think that takes a lot of
15 studying.

16 NICHOLAS GODICI: If I'm
17 understanding you correctly, you're limiting
18 this to small --

19 RONALD MYRICK: I'm just saying it
20 is one of the options. Whether it be totally
21 limited to small would be another issue, but

1 I don't think you can address speed without
2 addressing the bigger issue of resources.

3 NICHOLAS GODICI: We implemented
4 rules in the design area, for an extra fee,
5 move a case quickly through the process and
6 maybe we could look at, you know, what
7 advantages of that being there and so on.
8 You probably should add to the list here in
9 terms of -- (inaudible)

10 RONALD MYRICK: I think Vernon's
11 point is interesting because frankly in many
12 industries, four years is a whole life cycle.
13 So you may see with these pendencies getting
14 out of sight, fewer and fewer people are
15 applying.

16 ROGER MAY: I think it applies
17 across the board too. I would be very
18 reluctant to see a system put in place to
19 single out one group to be able to get rapid
20 cycling.

21 RONALD MYRICK: I'm trying to say

1 the same thing. I think you should have a
2 real process by which you speed the thing up.

3 ROGER MAY: There are procedures
4 for making the case special. I think the
5 answer here is to figure out how we get more
6 of the money back from Congress and speed up
7 the whole thing.

8 FRANCES MICHALKEWICZ: Okay. Any
9 more comments on that part? Okay. In terms
10 of the principal dates, the legislation was
11 enacted on November 29th. In March we made
12 the decision to focus exclusively on patents.
13 We published a Federal Register Notice in
14 October where we solicited input on a very
15 high level scope of the study. We formed a
16 working group across the agency.

17 On January 10th we provided a
18 status report to Congress. This study was to
19 have been completed one year after enactment
20 of the legislation. And because of the
21 implementation of the legislation, the

1 transition to performance-based organization
2 status, we just were not able to devote the
3 level of attention that this study required
4 so we've asked for an extension of time.

5 We'd like to bring the public
6 policy oversight consultant on board as
7 quickly as possible before we move forward
8 with any further work on the study. We
9 expect to have the internal phase completed
10 in July and would like to have the full study
11 completed with a report to Congress by the
12 end of the calendar year.

13 ROGER MAY: Who's on the cross
14 agency?

15 FRANCES MICHALKEWICZ: That's Bob
16 Spar, Karen Young within the Patent and
17 Trademark Office at the present time. In
18 terms of the Federal Register Notice, we
19 received 17 responses. There was support for
20 the cost based and complexity based fees. A
21 lot of concern about the number of fees and

1 just general mixed views on specific issues,
2 and this of course can be made available to
3 anyone who wants to see the comments.

4 The second project that we have
5 underway has to do with forecasting. And in
6 the Senate Appropriations Report last
7 September, we were directed to develop a
8 workload forecast with advice from a
9 representative sample of industry in the
10 inventor community. We had already been
11 given some serious consideration to doing
12 this, so this just gave us legislative
13 impetuous to proceed with that effort.

14 In terms of our forecasting, we've
15 taken a number of actions over the past
16 several years. In 1998 we had an independent
17 study by a Dr. Hans Levenbach who's a noted
18 forecaster, and he gave us some specific
19 recommendations to improve our forecasting.
20 We've developed econometric forecasting
21 techniques by Technology Center. We work

1 closely with the European and Japanese Patent
2 Offices with regard to forecasting and
3 sharing information. And if you look at the
4 next graphic, you'll see that we've made some
5 significant improvement in terms of the
6 forecasting era over the past couple of
7 years. I'm hoping Fiscal Year 2001 stays
8 within that three percent range.

9 GERALD MOSSINGHOFF: What happened
10 in '95, was that the gap timing?

11 FRANCES MICHALKEWICZ: Yes; I
12 believe that was the case for '95.

13 GERALD MOSSINGHOFF: Off scale.

14 FRANCES MICHALKEWICZ: Yes; it was.
15 And our results compare very favorably to
16 other organizations who do similar
17 forecasting. So even in the five, six
18 percent range, we're not that far off from
19 other organizations, but we like to keep it
20 below three percent if we possibly can.

21 GERALD MOSSINGHOFF: Well, Nick,

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1 there's your answer. If you add a couple
2 more years to patents, you'll get another
3 surge.

4 ROGER MAY: Formally pursuant to
5 the mandate of the sample -- (inaudible)

6 FRANCES MICHALKEWICZ: Yeah. On
7 the next slide it shows that we're working
8 with ACPC on this study. We've talked to
9 them. And we also have a contractor who is
10 doing the survey formulation for us. Does
11 that answer your question? Let me just go
12 through the phase. One part of the study
13 which is to survey, I think it's 200 Barry or
14 100? 200 of the largest patent corporate
15 applicants. And again, we've talked to Gary
16 in ACPC?

17 BARRY RIORDAN: No.

18 FRANCES MICHALKEWICZ: I'm sorry.
19 Okay. Unfortunately we're waiting for
20 paperwork reduction act approval.

21 RONALD MYRICK: Let me just

1 volunteer IPO if you'd like, you've got it,
2 right, Herb?

3 FRANCES MICHALKEWICZ: Well, I
4 think Herb and I have talked not in detail
5 about this, but have had a couple
6 conversations about the legislative, what was
7 the report language. Again, as I say, the
8 paperwork reduction act request was sent to
9 OMB and we're waiting approval for that. If
10 we get that, we believe we can have the first
11 phase completed towards the end of April.
12 The second phase of this study would be to
13 expand it to cover all patent customer groups
14 and to work with our trademark organization
15 to see if we can expand it to trademarks.

16 One of the difficulties might be
17 the fact that they don't have a number of
18 corporations that are as large as the bio
19 patent application. We would then develop
20 procedures to conduct a survey every year and
21 have the next one conducted sometime in the

1 spring, early summer of 2002. The final
2 phase is to expand this globally. Again, we
3 work with the European and Japanese patent
4 offices. We have an annual meeting with them
5 where we talk about forecasting and survey
6 activities, and the first survey -- joint
7 survey is targeted for 2003.

8 ROGER MAY: Do you think the
9 Appropriations Committee had something more
10 in mind than just the number of applications
11 that are filed when they talk about workload
12 forecast? Because we're dealing here with a
13 statement made by an appropriations committee
14 which is trying to determine how much money
15 you really need to do the work. So to me
16 it's more than just a number of patent
17 applications and trademark applications, it's
18 the amount of work that's required to get
19 those applications examined initially.

20 I wonder if there isn't a broader
21 scope to the study than just predicting

1 numbers. And it would serve the Patent
2 Office well it seems to me to come up with
3 some more in-depth information to support
4 arguments that the fee should be retained
5 rather than to go out to the general fund.

6 FRANCES MICHALKEWICZ: I think one
7 of the things that we do right now is we
8 forecast at the macro level. We don't have a
9 lot of detailed information or forecasting at
10 more the Technology Center level, and I think
11 that's how we're seeing this will help in
12 terms of costs, knowing where the detailed
13 applications -- where the applications are
14 coming from earlier on. I know patents does
15 some of that based on the information that
16 they have, but from in terms of our
17 econometric models, we're just now getting
18 into it at that detailed level.

19 ROGER MAY: It seems to me that the
20 Senate treated us fairly well as you recall
21 during appropriations. And it seems to me

1 this is an invitation to come forth with
2 information about how much work needs to be
3 done, for example, to maintain and get
4 quality reform. It's a real invitation that
5 we ought not to let slip away.

6 NICHOLAS GODICI: That's a good
7 point. I think, you know, maybe, possibly
8 part of the impetus here was the fact that
9 they were a little bit uncomfortable with our
10 ability to project, and our filings obviously
11 translate to dollars and I think that's what
12 they're really after is dollars to begin
13 with, but point well taken in terms of which
14 way we kind of -- (inaudible)

15 ROGER MAY: It goes back to the
16 question I've heard numerous times up on the
17 Hill is, if they got all the money, what
18 would they do with it?

19 NICHOLAS GODICI: Right.

20 MARGARET BOULWARE: And workload
21 forecast is necessarily integrated with the

1 future use of technology and how you
2 integrate that technology into your workload
3 and how that -- the effective use of
4 technology is going to translate into better
5 quality over the long run. And it seems to
6 me that this report, you know, when you look
7 at -- develop a workload forecast, that's
8 kind of a good horizon to look at, and it
9 will be a challenge to put a report together
10 that does -- gives it its view.

11 FRANCES MICHALKEWICZ: Any other
12 questions?

13 ANDY GIBBS: One real quick one.
14 Is there a budget associated with development
15 of this survey if it's being suggested as
16 annual process?

17 FRANCES MICHALKEWICZ: Yeah; we had
18 obligated some funds last year. We have
19 \$100,000 set aside for this year. Do you
20 have the ongoing costs for this on an annual
21 basis, Barry?

1 BARRY RIORDAN: We're projecting
2 \$100,000, \$150,000.

3 MARGARET BOULWARE: Thank you. Any
4 other questions? Thank you very much. I
5 think that this type of discussion
6 illustrates the benefit that the Advisory
7 Committee can serve here for this, working
8 with the PTO on different legislative
9 initiatives that the Office has to comply
10 with. Next on our agenda is James Toupin and
11 John Whealan. I don't know how you all are
12 going to separate this discussion out. John
13 is going to do it, oh, I see. Oh, he's going
14 to go first on the effects of the Festo
15 decision on PTO operations.

16 This was one of those cases that
17 actually made it into the public press,
18 right, wrong or indifferent. And in my
19 discussions with the folks who put the agenda
20 together, I felt that this was right for
21 discussion among this committee at this time,

1 and want to thank the General Counsel and
2 Solicitor's Office for leading the
3 discussion.

4 JOHN WHEALAN: Thank you, Madam
5 Chairman. Just to tell you where we're
6 going, Jim and myself, and I'd like to thank
7 Mark who tried to put together this
8 presentation. We divided it up in that I'm
9 going to spend the first few slides talking
10 about -- getting some of the background, and
11 then Jim is going to take over and spend the
12 last two-thirds of the presentation really
13 talking about what effects we think Festo may
14 have on the operation of PTO.

15 So by way of background, there's
16 been a real debate in the bar and the Federal
17 Circuit between the doctrine of equivalence
18 and prosecution history estoppel. And the
19 tension between on the one hand giving the
20 patentee more than just the narrow little
21 claims that he writes, on the one hand, but

1 giving a notice, an accurate notice function
2 to the public and competitor so they can make
3 business decisions in whether or not to take
4 a license or invent around.

5 What's interesting about this
6 debate I notice is that the debate -- the
7 pendulum swings. You know, the doctrine of
8 equivalence I think at first was an
9 exception. And it started to move towards --
10 most of the cases you would see it at the
11 Federal Circuit, and I think there has been a
12 systematic cutting back even before Festo on
13 making those functions better, letting people
14 be a little more predictable. Even with
15 respect to judges, as we'll get into in the
16 Festo decision. Decisions clamping down. So
17 I think the movement goes back in this
18 direction. Farther than everybody's
19 predicted is a different question.

20 But this is really -- the CFC
21 articulated somewhat to my surprise there

1 have been two approaches all along. They had
2 this flexible bar approach, namely if you do
3 a -- you know, the classic example is a range
4 -- amend down from 25. That amendment may
5 cost you all of that or some of that. I
6 mean, we've called that now -- they termed
7 that now the flexible bar approach. And then
8 the absolute bar which they do cite a few
9 cases, early cases which they've adopted now
10 as this all or nothing type approach. And
11 these are really the two parts of the
12 decision which I note again somewhat
13 interesting is the decision spent a lot of
14 time focusing on two extremes. The flexible
15 bar versus the absolute bar, and nobody,
16 given all cases they wrote, offered a third
17 alternative, something in between, some other
18 type of precaution and I thought that was
19 quite interesting.

20 But getting to the actual decision,
21 I think the majority really even though it

1 was several pages, a very lengthy decision, I
2 think the majority really did try and collect
3 the precedent to be fair. They really set
4 them up and even though people may disagree
5 there were four major holdings, and the first
6 one deals with what does substantial reason
7 mean related to the patentability issue. And
8 they held that that any amendment for a
9 substantial reason related to patentability
10 includes any reason affecting the issuance of
11 the patent.

12 The major debate there was, did
13 that phrase, that magic phrase that the
14 Supreme Court used, did that phrase really
15 only apply to prior Art 102 and 103 or did it
16 apply to other types of rejections, including
17 112-1 or 112-2? And what's interesting is
18 there's a phrase you can say patentability is
19 everything, you can say it may not be
20 everything. If you look at the decision, the
21 Supreme Court, when they used that phrase, I

1 don't think it realized it would cause all
2 this debate, to be honest. I think the
3 issues at that time three or four years ago
4 were different. They cited in the
5 government's brief. Not to take credit, but
6 they did cite it specifically when they
7 opened the government's brief. What they
8 were citing to, you can't be sure, but there
9 was discussion in the government's brief
10 about there being prior art judgments on one
11 hand and being judgments on the other hand.

12 However, the court has held now,
13 any amendment relating to patentability is
14 basically any amendment that the issuers have
15 had. I can't think of an example. One thing
16 interesting about this -- on the third point
17 as we'll get to, 11 of the judges all signed
18 onto this particular position. Second point,
19 second holding really I think was kind an
20 anomaly with respect to this case, voluntary
21 claim amendments are treated the same as

1 other amendments. This issue in viewing to
2 me came out of the earlier panel decision
3 that for the first time I had seen treated a
4 voluntary amendment, not in response to an
5 examiner's amendment rejection differently.

6 The third point, which is the most
7 controversial and most important probably, is
8 claim amendment creates prosecution history
9 estoppel. No range of equivalents is
10 available under the doctrine of equivalents
11 for any claim limitation as amended. This
12 was a switch in the majority of the judges on
13 Federal Circuit. If you read the Hughes
14 denial, Litton denial where two or three
15 judges that believe this position was not
16 even mandated, but several of the other
17 judges did not. There were several decisions
18 between then and now that held good to the
19 contrary, but objective is few.

20 One thing I think is worth noting
21 in the majority decision is that, unlike the

1 judge's opinions earlier, they did not feel
2 they were mandated to do this. He felt the
3 words compelled him to bar words -- I thought
4 the majority, as they said here, is not
5 compelled one way or the other, but we really
6 looked at this after 20 years. It's not
7 working, and they chose -- they had a feeling
8 that they -- the judges chose to go on this
9 threshold. And I think there is, you know, I
10 think they probably are frustrated in the
11 current state with that, and that all these
12 cases come up to them and they really don't
13 know what the right answer is in the Federal
14 Circuit.

15 Once again, criticizing status quo
16 and criticizing majorities are two arguments
17 of the sort (inaudible) -- something else
18 that the Supreme Court might be interested
19 in. The fourth point was that for an
20 unexplained narrowed limitation they held the
21 same thing, that there's no range of

1 equivalents. They felt that this was more
2 mandated by some of the language in the
3 Warner-Jenkinson decision. This had been the
4 position of the Federal Circuit prior to
5 this. So, you know, the surprise was that, I
6 really think to a lot of people, was not to
7 clamp down on this, but they went as far as
8 they did and they said absolute bar and the
9 consequences.

10 There have been some recent
11 decisions, these are not in slides, that came
12 down since then and another case since then
13 where they have addressed the doctrine of
14 equivalents, and we'll see how it shakes out.
15 The Federal Circuit coincidentally on January
16 24, 2001 took another case on, the Johnson &
17 Johnston Associates, Inc. Services Company.
18 And as I understand it, that case is really
19 meant to resolve a kind of a disagreement
20 between two panel decisions at the Federal
21 Circuit. I mean, the issue is up there on

1 the screen.

2 Consider whether on what
3 circumstances the doctrine of equivalents
4 applies to disclosed, but unclaimed, and
5 equivalent with respect to unclaimed subject
6 matter. This case kind of arose -- it was a
7 decision five years ago or so, Maxwell,
8 written by a judge where he said, if you put
9 stuff in these specifications and don't claim
10 it, you basically dedicate it to the public.
11 And he explained this is a set of principles
12 citing some other cases. A year or two later
13 in YBM versus ITC where the ITC applied that
14 principle quite clearly, the judge explained
15 it. It is not quite so well, so the
16 principle and it doesn't apply in every
17 single case and we have to take them on a
18 case by case basis.

19 I heard one comment at a bar
20 conference from one of the judges. Well, you
21 know, that a second panel cancelled the first

1 panel and that I guess if they had to follow
2 a case, they might choose the first case, but
3 I think this case is going to help resolve
4 that. And the consequences here as Jim will
5 talk about in a few minutes is a big response
6 to what is everybody going to do now with
7 Festo and the response is, oh, write clean
8 specifications and write clean claims. And
9 the point is going to be, well, depending how
10 this case turns out, if you do dedicate it to
11 the public, if you don't claim it, the
12 consequences of that type of change in
13 practice might significantly be altered by
14 whatever happens to this case. I'm going to
15 now -- if you don't have any questions on the
16 legal issue, I'll turn it over to Jim and let
17 him talk about what we think may or may not
18 happen and there's no short answer here.

19 GERALD MOSSINGHOFF: I don't know
20 if there's an answer to this, but the
21 question going around is the filing scenario

1 that somebody has done a filing, 25 claims,
2 and being willing to amend them. As the
3 examiners reject, you file 50 claims and when
4 the examiner rejects the first 25, you say
5 fine, you cancel those and let the 26 through
6 50 be drafted, none of which has ever been
7 amended by anybody. Does that still apply to
8 those or not?

9 JOHN WHEALAN: I'll let Jim answer
10 that question. There's no right answer, but
11 that part of the next presentation is what's
12 going to happen with the operator. I was
13 really just trying to lay some foundation on
14 the case, where it is. Obviously the Supreme
15 Court, you know, Festo is represented by Ken
16 Starr now. They filed a petition. Their due
17 date I think is the end -- they got an
18 extension. Their date is the end of March
19 for a petition so we'll see what happens.

20 GERALD MOSSINGHOFF: So what was
21 your position on the Supreme Court?

1 JOHN WHEALAN: Because I work for
2 the government, I probably can't do that. I
3 think the government's -- I mean, I think the
4 bottom line is if they present it to the
5 Supreme Court to the extent that they think
6 that the Federal Circuit is not interpreting
7 their decision correctly, then the writer of
8 that opinion thinks so then, but it will
9 depend on how much of bar support there. I
10 mean, you know, on the other hand, the
11 Supreme Court just dealt with this a few
12 years ago. Now I'll turn it over to Jim.

13 RONALD STERN: Just as a comment
14 along the way: the suggestion that Jerry was
15 making, that some applicants will decide to
16 have lots and lots of independent claims,
17 will increase the complexity of the
18 examination enormously. It sounds like an
19 absolutely frightening prospect. And if
20 you're talking about fee studies and the
21 amount of work that goes into the examination

1 of a case, this is potentially extremely
2 explosive.

3 JAMES TOUPIN: I'll confess to
4 having occupied a position for the past 14
5 years parallel to John's at the ITC, I felt a
6 certain amount of rueful vindication both
7 with respect to Festo and with respect to the
8 Johnson & Johnston case. As was pointed out,
9 we were on the losing side when -- in the
10 trailing case after Maxwell, the ITC simply
11 tried to follow Maxwell, was told no, we
12 didn't really mean what we said in Maxwell.
13 And in Festo, several of the cases that the
14 majority says should have been decided
15 differently we rule were decisions that
16 overturned the ITC. A little late, but
17 interesting.

18 I think, you know, the bar in all
19 sorts of ways you're trying to figure out
20 what significance it is. In ITC, my concerns
21 would be somewhat different. We would be

1 trying to figure out whether a foreign
2 producers or importers who are subject to
3 exclusion or trying to reopen cases, try to
4 get the orders changed. We would be trying
5 to look and see -- we would be worrying about
6 whether parties that have settled
7 investigations to the issuance of licenses
8 would be breaking licenses by claiming that
9 action might have been regarded another way
10 under Festo. There are any number of
11 consequences we might be worrying about.

12 Here's a pretty good introduction
13 for me to try to think through the
14 consequences for this agency, and I think
15 what we're going to go through is a number of
16 alternatives that we thought about and have
17 seen advantage about impressed out there in
18 minds. Esther has commented that we can't
19 predict any. At first blush I think that we
20 would anticipate that the Festo would affect
21 the USPTO operations negatively, but the

1 story is more complicated. But we would
2 expect there would be more rejections for a
3 variety of reasons.

4 For example, parties might --
5 applicants may try to capture an equivalent
6 form through some language in claims. There
7 are some cases cited by one of the dissenters
8 in Festo in which equivalents were
9 established by claim language so it wasn't
10 doctrine of equivalents. You'll see as we go
11 through that some of the options that may be
12 considered may be to narrow disclosures in
13 the matters, written description, rejections.
14 I think almost certainly bearing in mind
15 Esther's caveat, we'll see more appeals to
16 the board and more appeals to the Federal
17 Circuit, but let's try to go through some of
18 the strategies that practitioners may try to
19 adopt.

20 The first strategy, as was pointed
21 out, was to try to avoid amendments and try

1 to avoid the consequences of amendments. One
2 way to avoid amendments is more precise
3 specifications to narrow the range of art and
4 more thorough prior art searches and
5 disclosures. So if practitioners are trying
6 ahead of time to get a thorough idea of the
7 prior art that may be cited against them,
8 this may have an impact on large and small
9 inventors. And more precise claiming which
10 may have the benefit of more first action
11 allowances. That too is highly speculative,
12 but the goal will obviously be to try to get
13 claims allowed without examiner amendments.

14 The second strategy would be to try
15 to advance broad claims, but to avoid as much
16 as possible the consequences of prosecution
17 history estoppel either by filing more
18 applications with varying scopes and drop
19 those that might lose the doctrine of
20 equivalents due to amendments, or filing as
21 was indicated more independent claims trying

1 to immunize the maximum number of claims from
2 the effects of prosecution estoppel. They
3 might include both varying scopes, but also
4 different ways of framing the invention in
5 terms of being cross function which by
6 statute has a form of equivalence or again by
7 structural claims. As a matter of taking
8 into account what the burdens will be on
9 examiners, there will -- I think we can
10 expect practitioners to come in and talk to
11 the examiner more and simultaneously to have
12 greater resistance to examiner amendments.

13 As to amendment practice, again, I
14 think we can -- we may find a trend towards
15 use of means plus function limitations and
16 open-ended ranges. More arguments traversing
17 rejections to avoid amendments and
18 prosecution history estoppel. Through
19 procedural issues, this goes hand in hand
20 with the anticipation of a greater number of
21 appeals and more substantive arguments to try

1 to define prior art. One possible response
2 to Festo that we thought little about is a
3 reversal of what has been traditional
4 practice. That is to say typically the
5 strategy is to claim as broadly as possible
6 and then narrow in response to office
7 actions. The possible new strategy is to
8 disclose broadly, but to file only on narrow
9 claims, and then after having gotten an
10 office action to try to broaden the claims.

11 Now, bearing in mind the problem
12 that maybe goes to this strategy by the
13 Johnson & Johnston case as John pointed out,
14 this may lead to continuations with broader
15 claims, indeed maintaining continuations for
16 specific claiming against potential
17 infringers. We may also find along those
18 lines more requests for suspensions of action
19 which I think as we indicated earlier might
20 have fee consequences.

21 As to post-allowance consequences,

1 particularly I think we can expect more
2 reissues with respect to broadening reissues
3 within the first two years and more
4 reexaminations both ex parte and interparties
5 especially by third-party requesters seeking
6 to invalidate claims or to force prosecution
7 history estoppel by obtaining amendments in
8 the re-exam. We come to the end of this
9 attempt to forecast a very mixed picture. I
10 think more mixed for the PTO operations than
11 our first blush estimate might have been.
12 There's a possibility that we will have
13 higher examination quality. If indeed there
14 are -- if there's indeed narrower claims or
15 files to avoid the prior art, if there's
16 indeed better disclosure in specification and
17 better prior art disclosure, all of these may
18 help the examination process.

19 Turning to the past economic issue
20 that we may have increased fees for filings,
21 claims and all last petitions for appeal.

1 There are of course costs to the PTO. There
2 will be -- some factors will clearly add some
3 difficulty to the examinations. There will
4 be a greater number we can anticipate of more
5 complex cases, there will be more related --
6 we can anticipate more related cases and
7 corresponding double patent issues. And as I
8 keep repeating, because the Board of Appeals
9 reports to me, we'll have more appeals. All
10 of these factors will lead to longer pendency
11 before the office.

12 So in conclusion, there's a variety
13 of possible responses. I'm sure we haven't
14 anticipated them all. If anybody else has
15 any more ideas to add to our pot, we'd be
16 happy to hear about them. But effectively at
17 this stage I think we're going to await and
18 see posture with respect to the operational
19 impact on the PTO. Some of the changes may
20 be possible to measure, others will be very
21 difficult to track, and the net effect on the

1 Patent and Trademark Office is going to be
2 largely in the hands of the applicants and
3 their representatives. Thank you.

4 MARGARET BOULWARE: Any questions?
5 Any comments from any of the committee
6 members?

7 JAMES TOUPIN: Thank you.

8 MARGARET BOULWARE: Thank you.

9 RONALD MYRICK: I would just
10 comment that I think -- that I don't see any
11 scenario under which the work for the office
12 goes down.

13 JAMES TOUPIN: No.

14 NICHOLAS GODICI: Thanks for
15 pointing that out.

16 RONALD MYRICK: And there will be
17 many, many more I think who will take all the
18 other measures you have identified as another
19 group to achieve the ultimate objective
20 because you can't live without the balance
21 that you need. So my expectation is the

1 burden on the office will increase and all
2 the other painful things that we've been
3 talking about today will be all along a
4 result of it.

5 JOHN WHEALAN: Commissioner, was
6 your question answered between the two of us?

7 GERALD MOSSINGHOFF: It was
8 addressed. I agree with you, there's not an
9 answer. We were talking at lunch about the
10 fact that whether we like the decision or
11 not, it is a form over substance decision
12 because you could end up with two patents,
13 two hypothetical patents with exactly the
14 same claims, exactly the same prior art,
15 exactly the same good examination. One would
16 have a doctrine equivalent applicable if it
17 were not amended, and the other would not if
18 it were amended, so it is a form over
19 substance decision in my view.

20 ROGER MAY: And that would be a
21 reflection on the quality of the prosecution

1 claim, the prosecuting attorney.

2 GERALD MOSSINGHOFF: The drafting
3 attorney, that's right. In one case he or
4 she needed to do -- (inaudible)

5 ROGER MAY: I'm not sure that's
6 totally form over substance.

7 GERALD MOSSINGHOFF: Well, at the
8 end of the day you look at the result and
9 they're identical. It's the same patent and
10 same prior art. One has doctrine of
11 equivalents capability and the other does
12 not. That's form over substance.

13 ROGER MAY: Yeah; that's true.
14 What the case demands is a high quality of
15 performance by the prosecuting attorney and
16 by the Patent Office.

17 JOHN WHEALAN: The one point I
18 would make is that obviously people will try
19 to change the system. What's the way to
20 change the practice, but basically do the
21 same thing. And my experience is, if the

1 majority decision holds, I don't think that
2 would be looked at kindly. I think they look
3 at prosecution history as admission and as
4 thought processes as statements. And I think
5 that, you know, if there's some gaming going
6 on, just by one of the recent decisions where
7 I think it was the pending claim was
8 involved, they're looking at the holding a
9 little more broadly.

10 MARGARET BOULWARE: Thank you.
11 We're slated for a 15-minute break. However,
12 since we're going a little over, I'd like to
13 take a 10-minute break right now and
14 reconvene promptly in 10 minutes. Thank you
15 and we'll see you shortly.

16 (Brief break.)

17 MARGARET BOULWARE: Thank you. As
18 people are gathering in, I'll introduce Ed
19 Kazenske who's going to present on issues
20 that were discussed in our public advisory
21 report and have been the topic of review for

1 many good reasons, the E-government issues
2 and I'll turn it over to you Ed.

3 ED KAZENSKE: Thank you very much,
4 Madam Chair. I've been asked to address
5 three issues and one is incentivizing the
6 EFS, the second is organizing IDS material,
7 and the third is the electronic delivery of
8 office actions. Let me just start with
9 giving a status update a little bit about
10 EFS. These are some statistics we now have
11 compiled of the downloads of the Word, the
12 WordPerfect and the ePAVE software that we're
13 monitoring. In the EFS filings today we got
14 about 220 E-filings to date. They're coming
15 in a few a day, but not in any great numbers
16 as of right now.

17 When we were piloting EFS, I
18 thought I'd depict these. This was some of
19 the feedback we were getting from people that
20 were in the pilot, and also some we got
21 subsequent to that about what they thought

1 some of the benefits were at that time. One
2 was the filing of an application 24-7, the
3 other was able to use the internet to do the
4 filing itself right over the internet. One
5 that's recently come in even with a few
6 filings is to make sure they get total
7 accuracy on their pre-grant pubs because it
8 is coming in that way.

9 The one issue was that we have the
10 schedule down there so there's kind of an
11 automatic validation against our manual
12 business rules for filing. It's an
13 independent inventor issue that came in, and
14 they liked the features. But the biggest one
15 is the last one almost everyone liked, the
16 automatic receipt with the serial number when
17 they use that. That's what's come in to be.

18 This is a series of issues that
19 we've discussed in various groups and with
20 some of the pilot participants and even with
21 some of our customer base. One is a fee

1 differential and it was kind of interesting.
2 We talked about maybe reducing the fee of a
3 patent filing for E-filing or raising the fee
4 or putting a surcharge on a paper filing. I
5 will say this. The vast majority of
6 everybody that says put the surcharge on the
7 paper seem to be overwhelming of what they
8 thought would be the most effective on that.

9 Other things came up. Priority of
10 examination. Very mixed from what we got.
11 Maybe you all have some comments on that, but
12 it was not received as a great incentive for
13 E-filing to get a prioritization. Meaning
14 we'd moved those to the head of the list or
15 something. Did not sell as one of the over-
16 arching issues. Now, I'm not saying we've
17 done every application with that. There's
18 sort of a debate of listening to some
19 feedback on those. One issue on the fee
20 would certainly be a statutory change. Our
21 fees are statutory so that fee alignment, we

101

1 would have to do that, and the applicant
2 review of the receipt was something else we
3 kind of looked at.

4 And one thing they're looking for
5 and maybe that's a good question, we're
6 getting this feedback. If I do a E-filing,
7 fax me a paper copy back because I want to
8 make sure you got what I sent. And so far we
9 said it's kind of defeating E-government here
10 to give you (inaudible) -- but we are getting
11 those comments because people are
12 apprehensive right now with filing over this.
13 And they're saying we'd really like to get a
14 paper copy back from you, either a fax and
15 paper mail or an E-fax back over e-mail, and
16 both of those comments have come to us from
17 various forms.

18 One thing we're putting to rest a
19 little bit is that receipt we do give and
20 people I don't think are realizing this.
21 Before you transmit you can actually view the

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1 bits of every section -- there's marked
2 number of bits of every section in your
3 application. And I'm assured by our CIO,
4 when you get that receipt back from E-filing
5 with the serial number, it will also give you
6 the number of bits we received in every
7 section. I am told if those match, it's
8 99.995% that what you sent is what we got
9 when each section matches the number of bits
10 per section. People aren't reviewing that
11 though before they transmit on those issues
12 on that.

13 There were some other issues that
14 came up that we're looking at and that didn't
15 come up. To expedite the ability, if I use
16 E-filing for getting certified copies, like
17 have a box that could just be checked on the
18 E-filing and then I could get my certified
19 copy immediately back from that. That's a
20 possibility we're looking at.

21 Another one that's come up several

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1 times is I did say we're operating 24/7, but
2 we've had several comments saying move the
3 time zone so I can maximize my business hours
4 that I can file because it's now by the hour
5 here on the east coast that when we receive
6 the application is the filing time when
7 you're using EFS. There's been a lot of
8 suggestions, put something on the west coast
9 or put something in Hawaii, thereby, I get
10 the maximum use of the day to file those
11 applications.

12 We've not pursued that right now,
13 but that has come in in a couple issues to
14 maximize that time. I guess it would extend
15 -- I don't know. What's the time difference?
16 Five hours, six hours on that. And the
17 biggest one to date, and I don't know the
18 answer to this yet because we don't have the
19 final product from WIPO, but we need to be
20 focused very clearly on standardizing the
21 national and international filings, E-filing

1 procedures, that you're only doing this once.

2 Steve and I just met this week on
3 Trilateral issues, we got ways to go here.

4 Looks like all three Offices are moving a
5 little bit apart and not together on this.

6 Japan right now is probably almost inflexible

7 on that. They're staying with ISDM for any

8 time in the near future that we're able to

9 do. I think at the high level with PKI and

10 all that, the EPO and the U.S. are in total

11 sync. It's when you're going to get down to

12 the nuts and bolts there may be differences

13 on some of this with the DTDs between the two

14 systems. I think we're going to have to be

15 focusing much more closely, but I do think

16 both Offices have gone down past that.

17 They're not right now totally in sync at all

18 on this.

19 We'll have to see what the IB does

20 for PCT. All three offices are working with

21 the IB to try to come up for a uniform

1 standard for PCT filings. There have been
2 requests. I don't want to get out in front
3 of this. Countries that requested
4 grandfather clauses which means there won't
5 be an initial uniform standard if there's a
6 grandfather clause in on these for various
7 countries. We'll have to see how that
8 document goes. Any questions on any of that?

9 The next slide here is -- some of
10 the things I put a caveat depending on where
11 our budget issues go in the next year or so.
12 What we're looking at is the automated load
13 of EFS bit data into our PALM system, and
14 that will have great effect in our pre-exam
15 pipeline and improve the efficiencies there.
16 Also moving to accommodate provisional
17 filings with E-filing using provisionals in
18 there.

19 The other one that's been the
20 biggest problem I think with most of our
21 customers and we're looking at that also is

1 make this server based on that and to enhance
2 and expand Word and the functionality of Word
3 to get rid of some of the quirks in the
4 system too so it makes it a little more
5 adaptable to each office's protocols and how
6 they've set their programs up in that. Those
7 are some of the things we're looking at.

8 GERALD MOSSINGHOFF: (inaudible)

9 ED KAZENSKE: Currently the EFS
10 software is on an individual hard drive so
11 it's sitting on an individual's PC. Most
12 firms are operating from a server where
13 they're storing it centrally and access based
14 on that. And a lot of the nuances in that
15 are the way the protocols are and the drives
16 and access and coding on that and we're
17 looking at that because all of them are
18 saying, geez, I don't want to load this on
19 every PC in my whole office.

20 GERALD MOSSINGHOFF: The server is
21 in the law firm of the company?

1 ED KAZENSKE: Yes; server is in the
2 law firm and that seems to be the biggest
3 issue. They would like it done centrally
4 rather than each hard drive, and the software
5 now is really geared toward a hard drive on
6 that and that's one thing we're looking at.
7 I think that's probably the end. Any
8 questions that anybody would like to bring up
9 on EFS? We're still learning from it.

10 RONALD MYRICK: Yeah; I want to
11 commend you all for producing this stuff.
12 I'm making comment for public record because
13 we've already had some chats about this
14 privately. But General Electric is very much
15 behind this program. We have 50 outside
16 firms that we used for providers. They're
17 all required by tomorrow in fact to be ready
18 on EFS. I suspect that half of them won't
19 make the deadline so we'll start dogging them
20 to get them into it.

21 But I think it's also important

1 that -- and I also want to commend the Office
2 of one more thing, the support that we've had
3 from Kaz and his team in getting up even
4 inside (inaudible) -- and also our suppliers
5 who called upon his support have been very
6 helpful. At the same time we're getting
7 push-back, problems from some of our firms
8 because of these problems. So I would
9 comment to the Office that the task of
10 surveying the firms that are having these
11 issues to determine those things that can be
12 fixed and then get them fixed on a first
13 priority basis.

14 If you can't fix the server
15 problem, there are ways around that. Every
16 firm can have one particular machine that
17 does the transmit and use their internal
18 servers to communicate to that machine. But
19 in any event, my suggestion and
20 recommendation is that that be given first
21 priority in the expenditure of funds just

1 because it is such a publically visible
2 program that cannot be allowed to fail. It's
3 got too much riding on it and it has too much
4 of the future of the Office riding on it.

5 GERALD MOSSINGHOFF: I would add to
6 that I also -- within the constraints that
7 you're under as far as discussing budgets,
8 this program is at risk because of the
9 several budget things that may be bearing
10 down on it in the Patent and Trademark
11 Office.

12 ED KAZENSKE: Could be, very likely
13 could be depending on the budget that rolls
14 out and what the priorities are in that
15 budget; yes.

16 GERALD MOSSINGHOFF: Seems to me
17 and this is something that's so important to
18 the viability of the system as we go forward.
19 To me you really ought to take note of the
20 fact that this is one of the disasters that
21 might occur if you continue to be suffering

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1 under these budget constraints because it has
2 to be done right. You're changing some very
3 ingrained instincts of patent practitioners.
4 And if they can't do it right, they're not
5 going to want to do it and it's a new way for
6 the patent system in terms of the numbers
7 involved.

8 MARGARET BOULWARE: Let me speak to
9 that, Jerry. And first of all, during the
10 break I was chatting with some of the people
11 who are in attendance today about other
12 systems around the world and what they're
13 doing with their offices and their
14 operations, but I just want to mention, I'll
15 go ahead and make this announcement now. I
16 was going to wait until a little bit later,
17 but I think we have three real major areas
18 that this group wants to work with the Patent
19 Office in its advisory capacity and the
20 electronic E-government area is I'm going to
21 ask Ron Myrick, Andy Gibbs and Vern Norviel

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1 with Julie Watson as a nonvoting member to
2 work on the electronic filing E-government
3 issues, the budget issues which I think a lot
4 of these are intertwined obviously.

5 So just because we've got certain
6 people who are focusing on certain issues for
7 our report in other things, we're obviously
8 all going to collaborate in the entirety.

9 The budget issues, myself, you, Jerry
10 Mossinghoff, Pat Ingraham and nonvoting Ron
11 Stern looking at the budget issues. The
12 other issue is a quality issue and I was
13 going to ask Kathy White, Roger May and Jim
14 Ferguson with Melvin White working on the
15 quality issues. I don't want to take away
16 from Kaz's time here, but since this was
17 brought up, I'll just mention this now.

18 And also I did want to mention also
19 we are missing one of our members here, Jim
20 Ferguson who is making a very nice recovery
21 from a very serious physical problem that he

1 had. He will be joining us at our next
2 meeting. Also I did want to mention that I
3 would like for everybody to speak clearly in
4 the microphones so we do get our public
5 record clear for everyone. But duly noted
6 and we'll be proceeding with some focus
7 groups to work on these issues.

8 RONALD MYRICK: I would like to
9 speak for a moment on the electronic filing
10 issue. As I said, I was a bit surprised to
11 hear the results of your survey in regard to
12 the question of adding cost to the paper side
13 as opposed to making a reduction in cost for
14 the electronic side. I think that tells you
15 that it is counter-intuitive because it went
16 the exact opposite of what I thought it would
17 do. I thought it would not add cost to the
18 side they would use predominantly, so frankly
19 it surprised me. The other -- what was that
20 second one you had?

21 MARGARET BOULWARE: Address --

1 RONALD MYRICK: I think though when
2 you're talking about incentive ideas on
3 electronic filing, first and foremost the
4 best way is to make it payments. And so
5 again, you focus on the way we said about
6 behavior and you can do it in many ways, but
7 the easiest way -- or the best way to
8 consider that behavior is to give something
9 that's totally painless to the user.

10 And these issues such as sending
11 him back a fax copy, I don't know why you
12 can't send back an electronic e-mail copy of
13 what they got so it's straightforward. And
14 after they got five or six of them, they're
15 not going to want it anymore. Who is going
16 to want to get it and look at it and compare
17 it? But they can do a simple compare write
18 between what they sent and what came back to
19 them. They'd be convinced that it really
20 works and five or six times, they'd stop
21 doing it. I think those kind of pragmatic

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1 approaches will solve these kind of problems
2 relatively quickly mind you.

3 ED KAZENSKE: The other thing I was
4 asked to address is a little bit about the
5 organizing and searching of IDS material.
6 Let me just make a few points here before --
7 I'll just say up front, we don't have
8 currently an automated system that is just
9 taking IDS material and storing them in some
10 electronic medium today. The IDS material is
11 staying with the application. The examiners
12 can always, as they always have, make a copy
13 of it and put it into their paper search as
14 they do now if they feel that it is relevant.

15 But we are not storing those in any
16 electronic format, and I'll get to a couple
17 things we are studying though. But the other
18 thing I'd like to note here is the NPL
19 database and particularly for class 705 which
20 is the business method areas and what we're
21 doing with NPL in that one area on that.

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1 There's about 1,000 art specific databases
2 that are now used by patent examiners on that
3 and we're evaluating that end-user search
4 tools and doing training in that. And
5 there's 15 arguments helping to develop the
6 NPL databases for the business methods right
7 now and this may be the forefront of what
8 we'll be beginning to do throughout the
9 office here.

10 I just want to give you a couple
11 screen shots of where it is evolving here in
12 705. And what we have done is broke down 705
13 and then form title hyperlinks and this is
14 being done by the examiners here through the
15 classification of 705. Go to the next one
16 which is the next hyperlink in and this will
17 start identifying. This is the page the
18 examiner comes into and there are
19 preestablished background key words that
20 examiners have done for every subclass in
21 705, and then they may limit that search

1 against that preselected background for
2 searching these databases out there, and it's
3 been pretty successful at getting some
4 non-patent literature into their hands.

5 The examiners seem very pleased
6 with the way this has been organized. Now,
7 let me just say one thing. The EPO, getting
8 back to this issue of capturing IDSs and
9 putting them in some electronic media. The
10 EPO has done that for 10 years. For the past
11 10 years if an applicant sent in a piece of
12 non-patent literature, they have scanned it
13 as an image and stored it. Some of them
14 have been classified in the EPOQUE system,
15 some have not. But they've all been assigned
16 a document number.

17 We originally thought over 10 years
18 they were storing this and then when you did
19 a class, subclass search, examiners could
20 actually look at these documents because
21 they're not text searchable, they're only the

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1 images there. But we believe now that's not
2 true. They're not actually subclass
3 searching these because they're not all
4 classified.

5 What's happened though, as an
6 examiner sees a piece of NPL on a patent
7 document, they may then go into this
8 database, access it and get a viewing or a
9 printing of that publication rather than
10 going through a library service. So it may
11 be quicker to get the document. At first we
12 thought this was a search, front-end search
13 engine, but we're finding out it's not
14 necessarily that.

15 But we are working with them and
16 they've allowed us to do some minimum
17 searching, but they cannot transmit us all
18 the database as we're verifying. We do not
19 have copyright clearance on all of that for
20 us to get. So we're having people in our
21 library check to see if we can get a portion

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1 of that and we have the licenses of the
2 copyrights or we will pay the copyright on
3 that NPL in order to check this and see how
4 we may utilize it right now. They will not
5 transmit that database to us or allow anyone
6 until there's a verification of all the
7 copyright issues because this is non-patent
8 literature from publications mostly on that.

9 They are actually paying most of
10 the copyrights on that or making sure they do
11 when they store them right now. I don't know
12 if they've taken an issue on unfair use or
13 not, but we pay a significant amount too of
14 that and we may have licenses on lots of
15 this. The other issue is there's been
16 requests of the EPO to allow a member from
17 the public to search that, and right now the
18 answer from the EPO is "no," just because of
19 the copyright issues. They will not allow
20 public access to that database at all on
21 that.

1 The JPO is debating, we met with
2 them, should they develop an internal storage
3 thing similar to the EPO for Japanese
4 publications. The problem that's arising and
5 it came up in our trilateral meeting and I
6 was one of the ones discussing this, the EPO
7 is starting to run into resource issues.
8 These are starting to take up a lot of
9 storage room, but really the cost is the
10 management of the data and keeping the
11 management of the data. And we're asking
12 them, is this relevant continuously as a
13 reference or are there certain references
14 after so much time more relevant? They are
15 starting that study right now to see besides
16 the document in which the prior art was
17 cited, is that MPO being cited in other
18 related applications and in which time
19 periods? After so long, is it no longer
20 useful or not.

21 So the issue became us looking at a

1 web based system to get documents, and we
2 tried to look at a system that will go to
3 where the document is stored or store
4 everything centrally. The three Offices are
5 discussing that. There's copyright and lots
6 of issues. I've listed some of them on my
7 notes here on that. The issues were of the
8 EPO now is really the cost of maintaining how
9 big will they build their Library of Congress
10 and maintain it, and they're starting to
11 debate that, the copyright issues. The cost
12 of capturing bib data. They now have
13 contractors at the EPO that put the author
14 and the title, type it in so it is searchable
15 by title. But when we talked with them over
16 there, examiners are not finding that very
17 useful to just do a title search against
18 that.

19 So what they're using the title for
20 is to make sure they don't duplicate
21 publications. So if a new one comes in, at

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1 least they're checking title to title before
2 they store the next one in on that. No one
3 that we know of has text search capability of
4 all the documents over there. Public access
5 I mentioned and the other cost that's now
6 becoming a concern even in the EPO which
7 surprised me, they're having trouble also
8 getting full staffing of patent examiners,
9 but they were using examiners to classify the
10 NPO in the case. They're re-looking at that
11 because it's taking a substantial amount of
12 time from the examiner to classify the NPL
13 into the EPOQUE system. They're still doing
14 that. They don't know what their decision is
15 on that right now for the NPL.

16 That's kind of an update. We are
17 looking at should we start storing some of
18 this in an electronic medium, which medium we
19 should use. We do not have an automated
20 project actively ongoing right now though in
21 the budget to do so. Ron?

1 RONALD MYRICK: First again I want
2 to commend the office. This is significant
3 progress as we talked about. Thank you again
4 for paying attention to this. This happened
5 to be an issue of particular interest and for
6 fundamentally a few reasons. The first is
7 that I think it's counterproductive under a
8 Rules 56 world not to use the art that's
9 produced and searches by applicants against
10 other applicants convention because you're
11 disincentivizing the searching process.

12 When a person knows if he searches
13 and has to disclose what he finds and won't
14 be using it for anybody else, he's not fully
15 incentivized to do searches. And especially
16 now in the Festo world when we've got reasons
17 why we do want to do more searches, I think
18 there's a fundamental tension here that we
19 need to resolve, and using that art that
20 we're producing in our own internal searches
21 and then have having to disclose against

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1 everybody's applications to solve that
2 problem. The fact that the EPO is so far
3 along in this is news to me and that's good
4 to hear.

5 The thing that I would suggest
6 might be another possibility is to at least
7 consider that it may be that the introduction
8 of IDSs in digital form from the customer,
9 from the applicant over a web site would be
10 possible. Let them do the scanning, let them
11 do the bill. Put the whole thing in that
12 way. And this is prior art so you're not
13 talking about something that's confidential
14 so there's all sorts of possibilities. Madam
15 Chairman, I would like to propose that this
16 issue be also one of the issues that we take
17 up in the new subject meeting.

18 MARGARET BOULWARE: That's
19 certainly acceptable.

20 RONALD STERN: This is really a
21 matter that relates to the quality of

1 examination, something that we're very
2 interested in. In the interim, before all
3 the automated systems and the scanning
4 systems are developed, there is, I think, an
5 inexpensive way, and I hope the public would
6 accept it. If the public merely submitted
7 two copies of every reference, we could
8 classify one of them and put it in the shoes.
9 The cost would be minimal to the Office and
10 the references would be available until an
11 electronic system was developed. Such a
12 paper system could be implemented instantly.

13 MARGARET BOULWARE: Also it seems
14 to me that there are certain areas where the
15 non-patent literature is very accessible,
16 particularly in some of the life sciences
17 area. Medline is very good. There are some
18 databases that are very good. One of the
19 things that I would be interested in is for
20 the non-patent literature that is coming in
21 with business and other applications that are

1 not from disciplines that have this
2 literature that is accessible publically, it
3 would be interesting to see
4 cross-referencing, seeing if you can find
5 those databases out there. And Andy Gibbs
6 may know where they are to see with this
7 literature that's coming in and
8 cross-referencing and trying to find it on a
9 database, it seems like it would accent --

10 ED KAZENSKE: That's exactly what
11 we're working on in this project. We're
12 trying to map where that non-patent
13 literature may be located electronically.
14 That's the purpose of these databases rather
15 than physically store the document, where can
16 we reasonably assure that it's accessible and
17 then just build the index. That's what we're
18 looking at in this project.

19 MARGARET BOULWARE: And you're
20 using the non-patent literature that's coming
21 in to do a search to find it out in the --

1 ED KAZENSKE: This is a pilot, but
2 that's what our library's doing to see that
3 if that's a reasonable way to do this. We
4 don't know. In the trilateral though, we
5 brought that up. The JPO has made a point.
6 It's probably legit to a certain sense.
7 They're very hesitant on that site because
8 their view is they lose control of the
9 document, and the database it may be stored
10 in may not be there tomorrow and then where
11 is that data. And that is a point the JPO
12 has raised that they lose control over the
13 data out there.

14 But so far what we found I think,
15 Meg, is exactly what you said. Most of this
16 data is in some pretty big, IEEE, Medline,
17 things that have character behind them. It's
18 not like an individual's private little E-box
19 out there, but they are concerned. But this
20 project's trying to look at them. Rather
21 than physically store the document, index it

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1 so that the examiner can get that on need
2 some way. That's the hope. Anything on
3 that?

4 NICHOLAS GODICI: I'd just like to
5 add in respect to Ron's comment, I think
6 that's a good possibility in respect to
7 working with you all in terms of the input
8 and being electronic form so we develop an
9 electronic solution to the problem which is
10 really the best solution.

11 RONALD MYRICK: Right.

12 ED KAZENSKE: The last issue I
13 can't say I have a lot on, but it was
14 electronically delivering office actions.
15 Let me first start with how we viewed this to
16 happen. And the plan that we currently have
17 on goes to the TEAM process which was when we
18 totally have an automated file wrapper. And
19 in that process what we would do is we would
20 send a notification to the applicant that an
21 office action was available. They would just

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1 be notified. In that the customer would then
2 come in and connect to the USPTO using their
3 PKI digital certificate and download their
4 entire office action at that point in time.
5 That's on the books, that is the plan.

6 When I read the question though, I
7 go to the next slide, I think it was just
8 e-mail it to me. And we kind of looked at
9 that and we don't -- let me tell you first of
10 all, examiners' office actions again are
11 stored on their hard drive, not centrally
12 stored. So we have not centralized office
13 actions to this point for the PTO. So it
14 would have to come straight as an e-mail from
15 the examiner on that which I guess could be
16 worked up. The issue here though, there's no
17 interconnection at this time to the PALM
18 system which triggers the time, dates and the
19 statutory. We don't have any way right now
20 that we know of. Most e-mails get where you
21 send them, but we have no way to authenticate

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1 that.

2 There's also the security. We'd
3 have to have a total waiver with that and
4 we'd have no idea if it got there or not.
5 We'd still have to produce the paper right
6 now though to trigger statutory periods, to
7 put it in our PALM system. But I guess, you
8 know, we could look at this if it's just
9 e-mail and all the clearances and that, but
10 we wouldn't be able to verify that in any
11 security way to the applicant if they wanted
12 that.

13 I think currently we have a process
14 with a waiving of 122 that interviews could
15 be held and communications can be had with
16 the applicant if in the file there's a waiver
17 under 122 from the applicant on that. We
18 have no business process just looking at
19 e-mail to do that at this time though in our
20 process of just moving in that direction.
21 I'll leave it to -- if Nick has any other

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1 comments on that, but we don't have much on
2 it. But our ultimate process is, yes,
3 they're delivered electronically and you pull
4 them down when you want it. That's the
5 process. Yes?

6 RONALD MYRICK: A question I have,
7 I understand the first page there about the
8 customer connects to USPTO E-Commerce server,
9 download (inaudible) -- that means there has
10 to be some time in the future when all those
11 hard drives get connected to some service.

12 ED KAZENSKE: We have those on the
13 books. They'll be centralized and stored
14 centrally. And the reason we want to do that
15 is part of a Trilateral project that we're
16 looking at in the future. Where we will
17 exchange office actions of examiners between
18 the EPO and the USPTO for search exchange
19 between the Offices, and both offices need to
20 move to centrally loading the office actions
21 to do that, to do them over a dedicated line

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1 between the Offices. It is there to
2 centralize this, but currently that's not
3 done at this time.

4 RONALD MYRICK: Well, again, I
5 would commend the Office. I think this is
6 good thinking and we'll take this up with our
7 subcommittee. I don't know that there's any
8 great demand that would say getting an e-mail
9 to you directly is all that much better than
10 having a notice e-mail where you go in and
11 (inaudible) -- there's not really a
12 functional difference there. And if that
13 makes the job easier and faster for you --

14 ED KAZENSKE: Well, it also makes
15 it secure because you use your PKI and your
16 digital certificate so we know who's pulling
17 it down, has access to do so.

18 RONALD MYRICK: I think these are
19 all very useful proposals that have been
20 made, and I also think the idea that you're
21 working very closely with the Trilaterals and

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1 the PCT things will be very significant in
2 the future. Perhaps we'll be meeting with
3 you off line and with your designee Nick, I
4 assume it will be Kaz to talk over some of
5 the details of this issue. Very great
6 progress. Thank you.

7 ED KAZENSKE: Thank you. Thank
8 you, Madam Chairman.

9 MARGARET BOULWARE: Thank you very
10 much. Next I want to ask -- I guess Bernie
11 is going to speak on this, Bernie Knight who
12 is Deputy General Counsel, General Law for
13 the PTO on the P-PAC rules and how we're
14 going to review our protocol and processes
15 for nomination. However, I would be remiss
16 if I didn't note the gentleman who just
17 walked into the back of the room on the
18 record whom I mentioned earlier, our former
19 Director and Under Secretary, Todd Dickinson
20 who shepherded this group to its formation
21 and had a chance to publically acknowledge

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1 earlier in the meeting and would like to
2 acknowledge Todd's presence and thank you for
3 attending our meeting.

4 BERNARD KNIGHT: Good afternoon
5 everyone. I was asked to give a presentation
6 on two items, number one is a proposed
7 procedure for getting proposed and final
8 rules and regulations to the Advisory
9 Committee members in the adequate amount of
10 time so that the members have time to review
11 our rules and regulations. And then secondly
12 to discuss with you our procedure for
13 nominating new PAC members because we have
14 three members whose terms are going to expire
15 this July.

16 Turning first to the rules and
17 regulations. We developed a proposed time
18 line to give those rules and regulations to
19 the PAC members. We met with Meg this
20 morning and Meg gave her blessings to our
21 proposal. We want to introduce it to you and

1 get any suggestions that you may have for
2 recruiting it. Our bottom line proposal is
3 that we will give rules and regulations that
4 we are required to give to the PAC 10
5 business days before that rule or regulation
6 leaves our office. The way that the rules
7 are set up, it's dependent upon number one,
8 whether or not we are required to give the
9 rule or regulation to the Advisory Committee,
10 and then secondly whether that rule or
11 regulation is significant.

12 With respect to the requirement to
13 consult with the PAC, we have to give rules
14 and regulations to the Advisory Committee in
15 two instances. That is where we're going to
16 change the patent or trademark user fees, and
17 also where we are proposing a rule or
18 regulation that has to be published in the
19 Federal Register and for which we have to
20 obtain public notice and comment.

21 Generally as a general rule, we

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1 have to request public notice or comment when
2 we're going to change someone's legal
3 obligations or responsibilities in dealing
4 with the PTO. Otherwise, we don't have to
5 request public -- we don't have to request
6 public comment before we go ahead and apply
7 and publish a rule in the Federal Register.
8 As a general rule then, no consultation with
9 the advisory committee is required where it's
10 a procedural or interpretive rule or
11 regulation.

12 Where consultation is required, our
13 proposed rule or regulation will be submitted
14 to the advisory committee 10 business days
15 before it is submitted to the Office of
16 Management and Budget if it is a significant
17 rule or regulation. A significant rule or
18 regulation, probably the best way to describe
19 it is that it involves a significant policy
20 matter or it's considered to be
21 controversial. And in labeling something

1 significant, we are the first ones to label
2 significant at the PTO. If we don't label it
3 significant, the Department of Commerce, the
4 Office of Management and Budget could still
5 label a rule or regulation as significant.

6 If it is labeled significant then
7 the bottom line there, the Office of
8 Management and Budget has a 90-day period to
9 look over that rule or regulation and make
10 any comments or changes that they want to
11 make. If the rule or regulation that we
12 propose is not significant and goes directly
13 to the Federal Register, then we will submit
14 that rule or regulation to the Advisory
15 Committee 10 business days before we intend
16 to give it to Federal Register.

17 A couple of just quick examples
18 because I know these are sort of ambiguous
19 concepts, but one rule that was considered
20 significant last year by the Office of
21 Management and Budget was our final rule on

1 patent business goals that simplify patent
2 examination procedures. One that is
3 typically considered not significant, we send
4 it immediately to the Federal Register is
5 where we have a pharmaceutical packet and we
6 want to go ahead and extend the term of that
7 to allow FDA regulatory review, so those are
8 two examples.

9 In addition to the rules or
10 regulations that are required to be submitted
11 to the PAC for their consultations,
12 oftentimes the commissioners decide to go
13 ahead and submit those rules and regulations
14 to the Advisory Committee to get their
15 comments even though they're not required.
16 And in those instances we propose to give the
17 proposed or final rule or regulation to the
18 advisory committee when it's given to the
19 Office of Management and Budget, or when
20 we're going to submit it to the Federal
21 Register in the case of a rule or regulation

1 which is not significant.

2 When we spoke to Meg this morning,
3 she expressed her concern that she wanted to
4 make certain that we gave her a heads up when
5 we are drafting rules and regulations so that
6 the subcommittees are aware that something's
7 going to be coming to them. We promised her
8 that we would notify her of that. And also
9 we are required to publish in the Federal
10 Register twice a year our unified agenda
11 which has all of our proposed rules and
12 regulations, projects in it, and also it has
13 the dates for the next actions and I told her
14 I would also make sure that she got copies of
15 those.

16 The final thing I wanted to mention
17 with respect to rules and regulations is that
18 with all that said, no rules and regulations
19 are currently going forward. The President's
20 Chief of Staff, Andrew Carr on the date of
21 operation issued a memorandum saying that

1 rules and regulations must be approved and
2 cleared by the head of the department or the
3 head of the agency. We do not have an agency
4 head yet as everyone knows. And as a
5 consequence of that, Congress is holding all
6 of our rules and regulations right now, not
7 approving them unless there's a statutory
8 requirement that they go forward or unless a
9 rule or regulation could affect the public
10 health and welfare and that's really hard to
11 argue from any of ours.

12 And secondly the next topic I
13 wanted to talk about briefly is that we do
14 have three P-PAC members whose terms are
15 expiring this year on July 12th. That's Andy
16 Gibbs, Patricia Ingraham and Roger May. We
17 have developed a proposed time line for those
18 nominations. We have drafted a Federal
19 Register notice, and the Federal Register
20 notice is at the Department of Commerce right
21 now awaiting their approval. But as you can

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1 see on our proposed time line, we want to
2 have the request for nominations published in
3 the Federal Register by the end of March. We
4 want to receive all nominations by April 30th
5 so that the Secretary can go ahead and
6 appoint the new members to the Advisory
7 Committee in time for their appointments to
8 become effective on July 13th. Does anyone
9 have any questions about my presentation?

10 Thank you.

11 MARGARET BOULWARE: Any questions?

12 I had asked the Office of the General Counsel
13 to assist in this effort because it's kind of
14 like a day late and a dollar short since we
15 got hit by the AIPA rules and regulations
16 when the committee just got started and we
17 were just getting up and running. I think
18 this in the future will facilitate the
19 review, will provide adequate time for the
20 members to make the comments that are
21 appropriate, and hopefully we'll get the most

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1 out of the committee work in its capacity and
2 I thank the General Counsels Office for
3 working with us and I appreciate that very
4 much.

5 And next in our agenda is Jo-Anne
6 Barnard who is going to report on the new PTO
7 campus. Jo-Anne did a great job in touring
8 us on the old campus when we first started
9 up, and now we're asking about an update on
10 the new campus. Thank you, Jo-Anne.

11 JO-ANNE BARNARD: Hi, I basically
12 just wanted to give you a short summary of
13 where we are in the process of being faced
14 with a new campus and then take any questions
15 you might have. Basically we're going to be
16 consolidating into a leased facility in 2004.
17 The General Services Administration who
18 acquires general purpose office space for all
19 federal agencies signed a 20-year lease to
20 consolidate the USPTO at the Carlyle site in
21 Alexandria, Virginia.

1 That site is at the intersection of
2 Duke Street and right near where Duke Street
3 intersects Route 1 in Alexandria. It's about
4 three miles from where we are right now. The
5 site is bordered by two Metro stations, by
6 the King Street Metro and the Eisenhower
7 Metro. It also is very near a VRE station.
8 That's significant since last count 55
9 percent of PTO employees were getting transit
10 subsidies and getting to work by mass transit
11 and we hope to increase that at the new
12 facility.

13 GERALD MOSSINGHOFF: For those who
14 don't know where it is, it's right next to
15 the Oblon Spivack building.

16 JO-ANNE BARNARD: It's next to that
17 building and they are going to move there a
18 year before we do and frankly I'm glad that
19 Mr. Mossinghoff mentioned that because I'm
20 told that -- and I haven't gotten a copy of
21 the lease yet -- that we did much better than

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1 they. So I wanted to be sure that at the
2 next meeting I could present a summary of
3 that to the P-PAC what great negotiators we
4 are. Actually, a lot of it has to do with
5 the federal system. We don't pay equity
6 escalators on leases and the private sector
7 does so we have a built-in savings there.

8 RONALD STERN: I bet you there's a
9 difference in the opulence of the office
10 space too.

11 JO-ANNE BARNARD: We'll see. In
12 any event, the successful offeror is LCOR
13 Alexandria. LCOR Alexandria is a subsidiary
14 of LCOR, Incorporated which developed a very
15 large building and fully square for the
16 government in New York City. They're a major
17 developer and they've had a lot of experience
18 with the government. For this project they
19 put together a team of Skidmore, Owings &
20 Merrill, one of the premier architects in the
21 United States as the base building architect,

1 Gensler as the interior architect who also
2 has won many architectural awards, and Turner
3 Construction which has its signs all over the
4 Washington Metropolitan area as their
5 construction company.

6 We had a ground-breaking on January
7 17th of this year to mark the beginning of
8 this project. The actual beginning of
9 construction will be in the summer after the
10 developer places their financing. They're
11 financing this facility through a bond
12 financing. In fact, I will be going to New
13 York tomorrow to meet with Lehman Brothers
14 who is going to be placing the bond financing
15 for the lease. That is one of the things
16 that helps the developer to meet the
17 aggressive rental rate that they got in this
18 deal.

19 Basically the limit on the rent was
20 placed by the Congress in their approval of
21 the prospectus document, and it's a very

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1 competitive rate that we have which is
2 basically flat for 20 years with the
3 exception of increases for operating costs.
4 So construction will begin this summer with a
5 digging of the foundations and we expect
6 occupancy to begin in calendar year 2003.

7 We have not yet finalized with the
8 developer the schedule for delivery of the
9 buildings and we'll share that as soon as we
10 know what it's going to be. I wanted to show
11 you a little bit about the proposed facility.
12 Basically what it is going to be is a five
13 building complex. At the top of the slide
14 would be Duke Street in Alexandria, at the
15 bottom of the slide would be Eisenhower
16 Avenue in Alexandria. There's four
17 buildings, the top four which are basically
18 of the same size, and then the building at
19 the bottom of the page is the signature
20 building and it's basically twice as big as
21 all of the other buildings and it's going to

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1 have a central atrium which you'll see better
2 in the next picture.

3 One of the reasons I wanted to show
4 you this, and I'll walk over here, is that
5 this square that you see is a concourse level
6 walkway that connects all of the buildings.
7 At the top end of the site that's underground
8 because of the slope of the site and at the
9 bottom end, the Eisenhower Avenue side is
10 above ground, but it will connect all of the
11 buildings and will allow people to travel
12 easily without having to go out into the
13 elements. The next slide, it will give you a
14 better picture of what the facility is going
15 to look like.

16 This, at this point in time, is
17 just a rendering. The Alexandria Design
18 Review Board meets tomorrow night and the
19 developer is still negotiating with the city
20 on the facades. Alexandria loves brick.
21 They would like to see the whole thing brick.

1 Frankly I've seen it all in brick and it
2 looks rather institutional all in brick, but
3 basically what you'll have is a central
4 atrium which is going to be about 200 feet
5 tall. The attempt is to make that as
6 transparent as possible so that as you're
7 driving down Duke Street, you'll almost see
8 through the park and it will go through the
9 building. That should be a very dramatic
10 space for those of you who have seen --
11 there's many buildings in the District that
12 have these central atriums where you can walk
13 from one street to another and that will be
14 the focal point of the complex.

15 Basically at this point in time we
16 anticipate that the trademark operation will
17 be in the left side or the -- which is the
18 east wing of the main building. The patent
19 examining functions will be in the other four
20 ancillary buildings. The executive staff
21 will be on the top level of the signature

1 building, and on the other side we'll have
2 dispersed other elements, although the entire
3 complex will be built out for examination so
4 that we can minimize the cost of build-out in
5 the event that we were to expand in the
6 future.

7 The next slide gives you basically
8 an image of what the entire complex is going
9 to look like from the Eisenhower side. There
10 will be a pull-off so that you can drop off
11 people in the back, but the primary pull-off
12 will be on the Duke Street side of the
13 building. In this main signature building
14 will be a multipurpose room, an auditorium
15 space which can extend into the atrium so we
16 can accommodate as many as 2000 people for a
17 meeting. If we had to, the multipurpose room
18 itself can accommodate about 500 people.

19 There will also be a cafeteria in
20 this building. On the second floor will be
21 -- I'm sorry, the ground floor and the second

1 floor will be the public search facility on
2 one wing, on the other side the scientific
3 and technical information center. On the
4 third floor will be the computer center. So
5 that's our basic plan right now. We should
6 be finalizing the design with the city over
7 the course of the next month. If we're
8 lucky, it will be tomorrow night. There's
9 usually a three meeting process and tomorrow
10 is our second meeting.

11 Basically there will be a fitness
12 center in one of the ancillary buildings and
13 food service in most of the buildings. I
14 thought I should leave some time for
15 questions. There's obviously been a lot of
16 publicity about this project. For those of
17 you who don't know, we are now finished with
18 all of the litigation. Both the District and
19 the Circuit Courts have concluded that the
20 government properly conducted both the
21 procurement and the environmental process so

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1 the litigation is finished unless the
2 applicants were to go to the Supreme Court
3 and I doubt very much that they'd get very
4 far if they were to do that. So we're
5 basically proceeding and expect to occupy in
6 2003.

7 MARGARET BOULWARE: Jo-Anne, I
8 would like to on behalf of the committee
9 thank you for your work and also our former
10 Director's work on making this now a reality
11 and I think this is going to be very
12 beneficial on a number of fronts for the
13 operation of the office not being strung out
14 in 27 buildings or whatever it is right now.
15 I lose count. And also having a building
16 that's equipped for E-government the way it
17 ought to be run. So I'd like to commend you
18 on that. Are there any questions on the
19 campus?

20 JO-ANNE BARNARD: Thank you, Madam
21 Chairperson.

1 MARGARET BOULWARE: Thank you for
2 your report. I appreciate that.

3 RONALD MYRICK: I will say that I
4 was at the ground-breaking and they used very
5 shiny shovels.

6 MARGARET BOULWARE: Well, the last
7 item on the agenda, and I can see we're about
8 ready to adjourn so I will keep this brief.
9 One of the statutory requirements for the
10 committee is to prepare a report, annual
11 report every year. We prepared a report last
12 year even though we were only up and running
13 for a couple months. This year I'm going to
14 be working with the committee members on
15 preparing a report. One of the reasons I
16 utilized the charter which was there to
17 create subcommittees was to help in preparing
18 the annual report. We're going to start
19 working on it probably in earnest after our
20 meeting in May so that we have plenty of time
21 to draft, review, receive comments, but I

1 will be looking for everyone on the committee
2 to participate in that particular process.

3 Also I was advised for those of you
4 who would like, we can mail your notebooks of
5 material back to you if you want to. For
6 those of you who have to get on a plane and
7 have a lot of things to carry around, you can
8 leave your notebook and they'll be mailed for
9 you. Are there any other comments from the
10 Public Advisory Committee or any of the
11 members from the PTO?

12 RONALD STERN: I notice that we
13 spent the entire day in essence being
14 briefed. And while we've had an opportunity
15 to ask questions, we really have not had any
16 time for extended discussion among the
17 members of the committee as to the issues
18 that concern us and the issues that concern
19 the patent system. I would recommend for the
20 future that we do schedule some time for
21 discussion of issues.

1 I think it's interesting that there
2 is a proposal for a 10-day notice period for
3 getting Public Advisory Committee comments on
4 proposed regulations, but really no provision
5 for getting the Committee together to have
6 some discussion of the various views
7 regarding those regulations. I don't know
8 how the committee is going to put in comments
9 unless we're all going to do it in private
10 and send e-mails to each other. There really
11 isn't any opportunity to get the views of
12 other members of the Committee and form a
13 consensus, and I think there ought to be such
14 an opportunity.

15 MARGARET BOULWARE: Well, let's
16 address that. First of all, before each
17 meeting I ask for all the committee members
18 to furnish me with proposed agenda items and
19 please feel free to do so. I didn't receive
20 that agenda item or I would have put that on
21 the agenda for today. Also on discussing the

1 rules, I think that's a good point. What we
2 would need to do though if we are going to
3 have a discussion, it will have to be at a
4 public meeting. We're constrained to do that
5 and that's one of the reasons I asked Bernie
6 Knight and his office to make sure we get a
7 lead time on rules that are going to be
8 considered because if it's a topic that we do
9 want to discuss, then we will have an
10 opportunity to discuss it.

11 Also quite frankly, and those of
12 you who furnished me agenda items, I think
13 there were certain items that we discussed
14 today like Festo that are going to impact on
15 future operations of the PTO, and I think it
16 behooves all of us to think forward and be
17 proactive rather than reactionary in our
18 agenda items so we do have an opportunity to
19 discuss as we all would like to. And I think
20 given the constraints we have with being a
21 Public Advisory Committee, I think that puts

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1 a little bit more pressure on us to think in
2 a forward manner.

3 RONALD STERN: I think it was a
4 very good idea for you to put the Festo
5 decision and its implications to the PTO on
6 the agenda, and I'm glad we had an
7 opportunity to talk about it.

8 MARGARET BOULWARE: I am too and I
9 think hopefully that's a model for the
10 future. And I think your comments are well
11 taken and we are going to try to have an
12 earlier run-out on discussions for issues
13 that are coming up for rule-making. Good,
14 bad or whatever, you know, we were created by
15 the same legislation that created a huge
16 issue of rule-making. So instead of coming
17 in with any kind of lead time, had everything
18 hit us all at once. And so hopefully there
19 will be changes in the patent laws in the
20 future, and I hope this committee is still
21 around to review them and has an opportunity

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1 to get involved on the front end of the rule-
2 making process. Any other questions or
3 comments?

4 NICHOLAS GODICI: Yeah; I just
5 wanted to -- on behalf of the PTO, I wanted
6 to thank the P-PAC particularly for the input
7 and the guidance we have gotten today and the
8 support we've gotten today and we've gotten
9 in the past. I also wanted to thank the PTO
10 folks that were here today and worked on
11 putting together the information materials
12 and making the presentations. I really
13 appreciate all the hard work they put in.

14 We heard some very good input with
15 respect to how we should prioritize and look
16 at things, particularly with respect to the
17 three teams that are being formed on
18 E-business, budget and quality and we look
19 forward to working with the entire P-PAC and
20 with the subteams to work on the issues and
21 challenges that we've all seen surface today.

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1 Thank you very much.

2 MARGARET BOULWARE: And let me
3 second that. I want to thank all the PTO in
4 having these meetings. We are utilizing PTO
5 resources and we really appreciate it. I
6 hope you're getting something out of it in
7 return. So are there any other comments?
8 I'd like to call the meeting adjourned. All
9 in favor say aye.

10 MEMBERS: Aye.

11 MARGARET BOULWARE: Opposed? Thank
12 you.

13 -oo0oo-

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